

Statement of the Basis of the Gas Storage Neutrality Charge

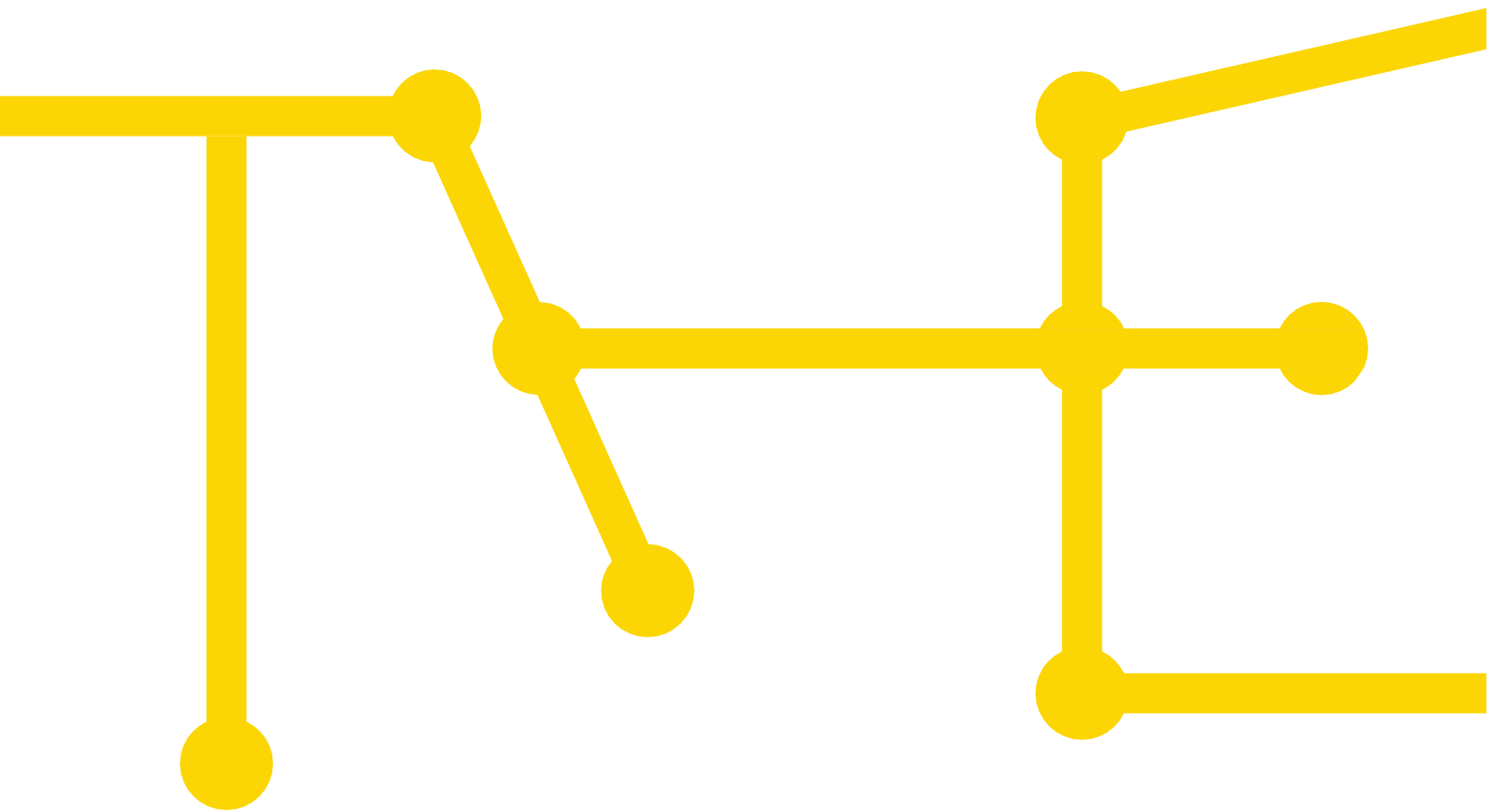


Table of contents

1	Introduction and background to the gas storage neutrality charge.....	3
2	Calculation methodology.....	4
2.1	Basic procedure	5
2.1.1	Quantities and prices.....	5
2.1.2	Costs	5
2.1.3	Revenues.....	6
2.1.4	Quantity subject to the neutrality charge.....	6
3	Result	7

List of abbreviations

BGM	Balancing group manager
BK7	Ruling Chamber 7 of the Federal Network Agency
BMWK	Federal Ministry of Economic Affairs and Climate Action
BNetzA	Federal Network Agency
EnWG	Energy Industry Act
EnSiG	Energy Security Act
GasSpFüllstV	Ordinance on minimum gas storage levels
MAM	Market area manager
RLM	Intraday-metered customers
THE	Trading Hub Europe GmbH
SBI	Strategic Filling Instrument (as per Section § 35c (1) of the Energy Industry Act)
SLP	Customers whose consumption is determined on the basis of a standard load profile
SSBO	Strategic Storage Based Options (as per Sections 35c and 35d of the Energy Industry Act)

1 Introduction and background to the gas storage neutrality charge

In order to ensure security of supply, the legislator has introduced a combination of mandatory filling levels for gas storage facilities and market-based measures such as the tendering of SBI. This was achieved through the Act on the Introduction of Filling Level Specifications for Gas Storage Facilities (Part 3a of the Energy Industry Act), which came into force on April 30, 2022, and the Act to Amend the Provisions of the Energy Industry Act on Filling Level Specifications for Gas Storage Facilities and to Adapt Other Energy Industry Regulations, which came into force on February 9, 2024.

Sections 35a to 35g EnWG stipulate that the filling level requirements are to be achieved either through measures in accordance with section 35c EnWG, such as the tendering of SBIs, or by filling unused storage capacities. The market area manager (MAM) is responsible for implementing the measures.

The minimum storage levels to be reached pursuant to section 35b (1) and (3) EnWG in conjunction with Section 1 (1) of the Gas Storage Filling Ordinance (GasSpBefüllV) are as follows:

1 October:	85%
1 November:	95%
1 February:	30%

Trading Hub Europe GmbH (THE) in its capacity as MAM has thus been assigned a new statutory role in helping to ensure security of supply. The costs and revenues associated with the execution of this role are to be passed on to the balancing group managers (BGMs) via the gas storage neutrality charge which was levied from 1 October 2022 for the first time.

The Gas Storage Act has been extended ahead of schedule by a further two years, from 31 March 2025 to 31 March 2027. In addition to the extension of the term, the "strategic options for the provision of gas (gas options)" in Section 35c EnWG have been replaced by "strategic instruments to promote the achievement of the filling level targets (filling instrument)". THE will therefore no longer put SSBO products out to tender. These are to be replaced by SBI products in future.

THE's concept underlying the methodology of the new gas storage neutrality charge was consulted with the market in June 2022 and subsequently approved by the Federal Network Agency (BNetzA) in its ruling BK7-22-052 of 29 July 2022. On February 27, 2024, THE submitted an application to adjust the time limit of the concept. This took place against the background of the extension of the period of application of the regulations on the filling level requirements (Sections 35a to 35g EnWG) until April 1, 2027 with the above-mentioned amendment to the law at the beginning of February 2024. The BNetzA approved this with resolution BK7-24-01-003.

2 Calculation methodology

All costs and revenues related to the gas storage neutrality charge are recorded in a neutrality charge account. At the end of the statutory period, the balance of the account (inclusive of all costs and revenues still to be expected for the balancing period) should preferably be zero euros. The gas storage neutrality charge is thus calculated with the aim having a neutrality charge account which is balanced at the end of the balancing period.

The calculation of the gas storage neutrality charge is based on the following key elements:

- **Period under review for the projection:** The period selected for the neutrality charge projections is the entire period under review up until 31 March 2027.
- **Costs and revenues:** The gas storage neutrality charge mechanism is designed so that all costs and revenues incurred in connection with the fulfilment of the law are allocated to the BGM. However, there are some relevant costs and revenues which will also arise after the end of this period, such as financing costs or revenues associated with gas storage neutrality charge invoicing for the contract month of March 2027 (which will not happen before May 2027). These circumstances are also taken into account for the projections within the period under review. Also included in the projected costs and revenues are the effects of the time lag between the payment to the entitled companies and the receipt of the revenues from the neutrality charges.
- **Quantities subject to the neutrality charge:** The gas storage neutrality charge is levied on all SLP, RLM and physical exit quantities at cross-border interconnection points and virtual interconnection points.

The gas storage neutrality charge is calculated using the following formula:

$$\text{Gas storage neutrality charge}_{p+1} = \frac{\text{projected neutrality charge account}_p \text{ (EUR)} + \sum \text{projected costs}_n \text{ (EUR)} - \sum \text{projected revenues}_n \text{ (EUR)}}{\sum \text{projected quantity subject to neutrality charge}_n \text{ (MWh)}}$$

Gas storage neutrality charge_{p+1} = Neutrality charge amount for the following neutrality charge period p+1

Projected neutrality charge account_p = Projected neutrality charge account balance at the end of the current neutrality charge period p (can be positive or negative); includes the projected neutrality charge revenue from the current neutrality charge period.

Projected costs_n = Projected costs for the neutrality charge period p+1 until the end of the statutory period, n

Projected revenues_n = Projected revenues for the neutrality charge period p+1 until the end of the statutory period, n

Projected quantity_n subject to neutrality charge = Projected quantity subject to neutrality charge for the neutrality charge period p+1 until the end of the statutory period, n

2.1 Basic procedure

Forecasting the individual costs and revenues for the entire period up until 31 March 2027 requires the quantities for the individual product groups to be determined first. This involves using historical data for mathematical models to predict future scenarios. These scenarios are combined with probabilities of occurrence and supplemented by market updates. The aim of the gas storage neutrality charge mechanism is to have a balanced position on 31 March 2027 that covers all relevant cost and revenue items. If the projected costs described below exceed the projected revenues in the period under review, THE will levy a neutrality charge to ensure cost recovery.

2.1.1 Quantities and prices

The following quantities are particularly relevant for the cost and revenue projections:

- Cost side: call orders for gas quantities of SBI
- Cost side: injections of gas quantities under Stage 3
- Revenue side: withdrawals of gas quantities under Stage 3
- Base value: gas quantity subject to the neutrality charge

THE injected about 49.67 TWh of gas into German gas storage facilities until 1 November 2022. In the past winter of 2022/23, around 25% of this gas (approx. 12.42 TWh) was sold, so around 37.25 TWh of gas was left in storage. The remaining volumes will be fully withdrawn in winter 2023/24 until May 2024.

Pricing is based on external price projections.

2.1.2 Costs

Apart from the costs resulting from the quantities and associated prices pursuant to section 2.1.1 above, the following cost components are particularly relevant for determining the gas storage neutrality charge:

- Costs for the use of the former gas options (SSBO stages 1 and 2) and future filling instruments and capacity bookings and gas procurement in accordance with Section 35c (2) EnWG, in particular costs for capacity prices, transportation costs, storage fees
- Distribution of surpluses
- Costs arising from the exercise of the MAM's right of first refusal pursuant to section 50f (1) sentence 2 no. 5 EnWG, insofar as such a right of first refusal is granted by way of an ordinance
- Other costs, insofar as such costs are attributable to the neutrality charge account, in particular financing and administrative costs

The net costs incurred for the procurement of the stored gas quantities until 1 November 2022 amounted to around EUR 8,660.07 million. The sum of the costs incurred to date and forecast for the entire period under review up until 31 March 2027 amount to EUR 11,251.3 million..

2.1.3 Revenues

The consolidated revenues of approximately EUR 2,384.4 million were generated from the sales volumes mentioned under 2.1.1 until May 1, 2024.

Apart from the revenues resulting from the quantities and associated prices pursuant to section 2.1.1 above, the following revenue components are particularly relevant for determining the gas storage neutrality charge:

- Revenues from neutrality charges levied for the previous and the current neutrality charge period
- Revenues from penalties for failing to comply with contractual obligations
- Other revenues, provided they are attributable to the neutrality charge account, e.g. interest

The total revenue generated to date and forecast for the entire period under review, excluding revenue from the levy for the coming levy periods from July 1, 2024 to March 31, 2027, is EUR 4,689.5 million.

The difference between the costs incurred to date and the forecast costs and revenues results in the amount to be generated by the levy to reduce costs by the end of the period under review. The costs to be covered by the levy (October 1, 2022 - June 30, 2023: 0.59 EUR/MWh; July 1, 2023 - December 31, 2023: 1.45 EUR/MWh; January 1, 2024 - June 30, 2024: 1.86 EUR/MWh) already collected and forecast levy revenues up to June 30, 2024 amount to EUR 2,282.2 million. Taking this into account, the amount still to be covered from July 1, 2024 is EUR 6,561.8 million.

2.1.4 Quantity subject to the neutrality charge

According to legal regulations, the gas storage neutrality charge is imposed on the daily physically withdrawn quantities from a balance group for SLP (Standard Load Profile) and RLM (Register Linked Meter) withdrawal points, as well as at border crossing points or virtual coupling points. Due to the outbreak of the Ukraine War, disruptions occurred in the energy market, leading primarily to a reduced gas consumption by industrial and residential customers and a change in gas supply sources, resulting in a modification of gas transport routes. For the projections made for these quantities, the historical five-year average was used and supplemented by estimates that can be derived from current findings.

The projected quantities per group are shown in the table below.

Period	SLP projection [MWh]	RLM projection [MWh]	Physical exit quantity projection [MWh]	Total [MWh]
01.07.2024 – 31.03.2027	1.007.808.666	1.361.597.183	252.747.118	2.622.152.967

3 Result

The gas storage neutrality charge for the period from July 1 to December 31, 2024 is 2.50 EUR/MWh. Details can be found in the press release dated May 21, 2024.

The gas storage levy for the next levy period will be published by November 20, 2024 at the latest and will apply from January 1, 2025 to June 30, 2025.