

## Appendix 4 "Load Reduction" Product Description

Short-term purchase (SystemBuy) of gas Trading Hub Europe GmbH

## Table of contents

1	Product Design .....	3
2	Lot Size.....	5
3	Pricing .....	5
4	Submission of LRD Bids.....	5
5	Call Orders .....	6
6	Processing of Call Orders at the VTP.....	7
7	Duty to Prove Compliance with Contractual Obligations .....	8
8	Penalty .....	8
9	Confidentiality .....	10
10	Liability .....	10

## 1 Product Design

- (1) This Product Description sets out the arrangements governing the Load Reduction product ("LRD Product"). Providers who enter into a contract with the market area manager Trading Hub Europe GmbH ("MAM") for the LRD Product undertake to supply (SystemBuy) a specified gas quantity in accordance with the provisions set out in this Product Description on receiving an instruction to this effect from the MAM ("Call Order"). According to section 4(2), the provider ("Provider") may specify in its bid that a call is to be made for a maximum of seven (7) additional gas days immediately following the gas day under consideration. The gas quantities are supplied at a constant hourly rate, starting from the hour from which the Provider is instructed to supply gas ("Call Hour") as stated in the corresponding Call Order up until at least the end of the last gas day specified by the Provider (the "Call Period"). This means that gas can be called off for a minimum of one (1) hour on the first gas day<sup>1</sup> for which the Call Order is issued up to a maximum of eight (8) complete gas days. The first gas day is based on the lead time specified by the Provider in accordance with section 4(2). Except where a Call Order is issued in respect of the last hour of the first gas day within the meaning of sentence 4 of this section 1(1), the LRD Product does not involve the supply (SystemBuy) of gas during specified individual hours of a gas day. The Provider has an obligation to ensure that it will supply (SystemBuy) the requested gas quantity on the instructed gas day from the relevant Call Hour onwards, provided the MAM issues the relevant Call Order in good time in accordance with section 5 below and in compliance with the lead time specified by the Provider pursuant to section 4(2). The supply (SystemBuy) of gas quantities by the Provider shall be carried out exclusively by reducing the delivery rate at intraday-metered exit points (RLMmT and RLMoT) while at the same time maintaining the corresponding gas flows at entry points, as set out in more detail hereinbelow.
- (2) In its bid in accordance with section 4, the Provider shall designate a balancing zone within the meaning of section 3(2) of the Terms and Conditions for External System Balancing Actions as the delivery location. The supply (SystemBuy) of gas quantities shall be effected within said balancing zone in accordance with section 1(3) and (4) hereinbelow.
- (3) The Provider shall cause a physical effect by ensuring that an intraday-metered (RLM) end user whose intraday-metered exit point(s) (RLMoT and RLMmT) (hereinafter referred to as "Reference Exit Point(s)") is/are allocated to the Provider's balancing group or balancing subgroup reduces its consumption in the called balancing zone accordingly.

---

<sup>1</sup> If the Provider specifies only one gas day in its bid pursuant to section 4(2), the first gas day shall also be the only gas day called.

The exit quantity measured at the Reference Exit Point(s) in the hour in which the Call Order is issued (hereinafter referred to as "Reference Quantity") shall be used to determine the exit quantity reduction to be achieved by means of a targeted delivery rate reduction at one or more of the Provider's Reference Exit Point(s). The delivery rate shall be reduced, starting from the Reference Quantity, in the amount of the called quantity in accordance with this paragraph. In the Call Period, the sum of the actual hourly exit quantity(quantities) from the Reference Exit Point(s) shall not exceed the difference between the Reference Quantity and the lot size pursuant to section 2.

The change in consumption made to cause the physical effect in accordance with this section 1(3) shall be purposefully made in response to the Call Order and shall, in particular, not have already been initiated at the time the Call Order is issued.

- (4) During the Call Period, the Provider shall additionally maintain the entry quantities into the Provider's balancing group or balancing subgroup on an hourly basis in the amount of the delivery rate reduction specified by the Call Order. The entry quantities into the balancing group or balancing subgroup shall be maintained through VTP entry nominations and/or physical entry quantities, for example at cross-border interconnection points, virtual interconnection points within the meaning of Article 19(9) of Regulation (EU) 2017/459 of 16 March 2017 (Network Code Capacity Allocation), storage connection points or production connection points.
- (5) The Provider shall enter into appropriate contractual arrangements with the intraday-metered end users to ensure delivery of the LRD Product. The Provider alone shall bear the risks of fulfilling its contractual obligations hereunder and shall be liable to the MAM.
- (6) Delivering on the relevant Call Order by making use of the virtual gas quality conversion mechanism is not permitted.
- (7) If the Provider culpably breaches its obligations hereunder, section 8 shall apply. In addition, the MAM may issue a warning to the Provider in this case. If the Provider again breaches its obligations hereunder, even after having received a warning from the MAM, the MAM shall also be entitled, after due consideration of the individual case, to exclude the Provider from participating in tenders for LRD Products taking place during a period of up to twelve (12) months after receipt of the written notification submitted by the MAM. The foregoing shall be without prejudice to section 6 of the LRD Prequalification Rules.

## 2 Lot Size

The lot size specified in an LRD Bid shall correspond to a delivery rate of at least 1 MWh/h. Bids may also specify a delivery rate greater than this minimum lot size, to be stated in MWh/h and expressed in whole numbers, up to a maximum lot size of 1,000 MWh/h.

## 3 Pricing

The Provider can choose whether the provision (SystemBuy) of the gas quantities is priced in euros per MWh or in euro per called gas day (collectively referred to as "Commodity Charge"). If a price in euro per called gas day is applied, it shall be paid by the MAM to the Provider for each gas day when a Call Order is issued, regardless of the number of called delivery hours and regardless of the lot size. If the Provider quotes a price in euro per MWh when submitting the bid in accordance with section 4, this price shall be paid by the MAM to the Provider per megawatt hour when a Call Order is issued.

No Capacity Charge will be applied.

## 4 Submission of LRD Bids

(1) In addition to the general provisions pursuant to sections 3 and 4 of the Terms and Conditions for External System Balancing Actions, the provisions of this section 4 shall apply to the submission of LRD bids.

(2) All bids must contain at least the following information:

- the name of the Provider
- the hourly delivery rate offered for the quantity to be supplied (SystemBuy) with due regard to the lot size pursuant to section 2 above
- the Call Period of up to a maximum of eight (8) total gas days
- the Commodity Charge offered pursuant to section 3 above
- the applicable lead time, i.e. the response time after which the Provider must start supplying (SystemBuy) gas on receiving a Call Order from the MAM; the lead time

applicable in each case shall be expressed in whole hours and shall be equal to or greater than one (1) but not greater than seventy-two (72) hours

- a balancing zone as a delivery location for the supply (SystemBuy) of the gas in accordance with the tender,
- the number of the relevant balancing group contract registered by the Provider in the gas quality of the respective balancing zone (delivery location), in which the Reference Exit Point(s) is(are) located and to which the bid refers.

- (3) The Provider may submit a bid at any time in accordance with section 3(6) of the Terms and Conditions for System Balancing Actions. The Provider shall ensure that it updates its bid and is able to meet it in the event of a contract award at any time. It should be noted that according to section 4(6) of the Terms and Conditions for External System Balancing Actions, the bid can only be revoked as long as it has not been accepted. Thereafter, the bid is binding. The Provider will be informed in advance by e-mail of a possible Call Order.
- (4) The contract is concluded in accordance with section 5(6) of the Terms and Conditions for External Balancing Actions when a Call Order for the bid is issued.

## 5 Call Orders

- (1) In addition to the general provisions pursuant to section 6 of the Terms and Conditions for External System Balancing Actions, the provisions of this section shall apply to the process of issuing of Call Orders.
- (2) The MAM will issue a Call Order by sending a message in the MAM-specific REQUEST data format ("MAM-REQUEST") to the Provider. The Provider shall confirm receipt of the Call Order with a confirmation message in the corresponding MAM-specific REQRES data format ("MAM-REQRES"). This reconfirmation message is for control purposes only and does not affect the validity of the contract in respect of the relevant Balancing Product. The MAM-REQUEST shall be sent on a daily basis even where a Call Order is made for several days. The Provider shall also confirm MAM-REQUEST receipt on a daily basis by way of a MAM-REQRES.
- (3) In the event that a Call Order cannot be issued using the MAM-REQUEST data format for technical reasons, the Bidder shall be informed by telephone and by e-mail or in another suitable manner in text form via the contact point specified by the Bidder as part of prequalification process. In this case, the Provider shall confirm the Call Order accordingly by

telephone and by e-mail or by other suitable means in text form. This reconfirmation is for control purposes only and does not affect the validity of the Call Order in respect of the relevant Balancing Product.

- (4) It is hereby pointed out that the available bids for the product variant RoD of the Long-Term Options Product Description as well as the available bids for the "Short Term Balancing Services" product ranked at rank 4 will be included in a combined Merit Order List (MOL) together with the bids placed for the LRD Product if both are found to be equally suitable, taking into account the delivery location selected for the supply of the gas and the lead time pursuant to section 4(2). The Call Orders for the bids will be issued in accordance with section 6 of the Terms and Conditions for External System Balancing Actions.
- (5) The Provider shall not be entitled to demand that the MAM issue a Call Order for any Call Quantities.

## 6 Processing of Call Orders at the VTP

- (1) For each Call Order issued by the MAM, the MAM shall, on behalf of the relevant Provider and in its own name, make a nomination (single-sided nomination) at the VTP in accordance with the provisions set out in section 6(2) below for a gas quantity in the relevant gas quality (high CV gas or low CV gas) equal to the quantity stated in the corresponding REQUEST message. As part of this process, the quantities of several bids of the Provider for which the MAM has issued Call Orders shall be nominated together in the respective balancing group for each gas quality.
- (2) The MAM shall nominate an exit gas quantity at the VTP from the Provider's balancing group as specified by the Provider in accordance with section 4(2) (VTP Exit Nomination).
- (3) A fee levied for the use of the VTP shall also be levied for the nomination of gas quantities as part of Call Orders issued in accordance with this Product Description.
- (4) The transfer of title in respect of the gas quantities supplied as well as the transfer of risk between the Parties shall take place at the VTP for the agreed gas quality (high CV gas or low CV gas).

## 7 Duty to Prove Compliance with Contractual Obligations

- (1) Upon request by the MAM the Provider shall prove in a suitable manner that it has duly complied with its obligations under this LRD Product Description, especially, without limitation, that it has caused the required physical effect in accordance with section 1. Such proof can be provided, for example, by suitable nominations and allocations as required for maintaining the corresponding entry quantity as well as load profile or measurement data for the reduction of the delivery rate for the period in question.
- (2) Furthermore, upon request by the MAM, the Provider shall inform the MAM of the intraday-metered end users or metering points via which the reduction of the delivery rate pursuant to section 2 is to take place or has taken place in the event of a Call Order. Upon request, the Provider shall prove by suitable means that the delivery rate was reduced purposefully at the request by the MAM and, in particular, that the reduction had not already been initiated at the time the Call Order was issued.
- (3) The Provider agrees to the MAM requesting relevant evidence and data from the competent network operator, if required. In such case, the Provider shall inform the MAM of the market location identification number of the affected intraday-metered end user(s).

## 8 Penalty

- (1) The purchase (SystemBuy) of gas quantities by the MAM in accordance with this Product Description constitutes an important market-related measure pursuant to section 16(1) para. 2 of the Energy Industry Act (*EnWG*) for the purpose of ensuring network stability and safety. For this reason, the MAM will levy a contractual penalty in accordance with section 8(2) below if a Provider fails to comply with its obligations under this Product Description either in whole or in part in any single hour or several hours of a Call Period. The foregoing shall not apply where the Provider submits evidence to the MAM that it cannot be held responsible for the breach in question.
- (2) The amount of the penalty to be applied shall be determined in accordance with the following formula:

$$P = PR * CF$$

where

P = Penalty in EUR due for any breach of obligations



CF = Fee in EUR due for the Call Order pursuant to sections 8(1) and (2) of the Terms and Conditions for External System Balancing Actions, determined for the LRD contract affected by the breach of obligations on the relevant gas day; if the MAM has issued several Call Orders in response to bids submitted by the Provider, they will be treated as a single LRD contract within the meaning of section 3(3) of the Terms and Conditions for External System Balancing Actions for each single gas day, call direction, balancing zone or sector and, notwithstanding section 3 (3) of the Terms and Conditions for External System Balancing Actions, the selected price model. If the Provider does not provide the full Call Order quantity in such a uniform contract, it shall be refutably presumed that the bid or bids ranked further down the order have not been fulfilled.

To determine the penalty rate, the MAM will first determine the Shortfall Rate according to the following formula:

$$SR = SQ / CQ$$

where

SR = Shortfall Rate in percent (rounded to two decimal places in accordance with good commercial practice)

SQ = Shortfall Quantity of the LRD contract affected by the breach in kWh, i.e. the requested quantity for which a physical effect was not or not properly delivered

CQ = Call Quantity of the LRD contract affected by the breach in kWh, i.e. the total quantity of gas requested from the Provider as part of the relevant LRD contract

The Penalty Rate to be applied to a given Shortfall Rate is shown in the table below:

Shortfall Rate		Penalty Rate
from (>)	to (≤)	
	20%	5%
20%	40%	10%
40%	60%	15%
60%	80%	20%
80%	100%	25%

The penalty to be paid by the Provider pursuant to this section 8(2) shall then be determined by applying the Penalty Rate to the Call Fee as defined hereinabove.

- (3) The MAM shall retain the right to claim further damages, including, without limitation, in cases where the Provider's failure to comply with the Call Order has resulted in the MAM having to take further measures to ensure network stability or network safety. Any penalty payable pursuant to this section shall be offset against any such damages payable.
- (4) Any penalties levied by the MAM under a contract for an LRD Product shall in each case be due ten (10) business days after receipt of the invoice. All payments shall be made with a fixed value date within the time limits provided for this purpose. Payments shall not be deemed to have been made in time until the relevant amounts have been credited to the specified account of the payee within the specified period.

## 9 Confidentiality

The general provisions pursuant to section 9 of the Terms and Conditions for External System Balancing Actions shall apply subject to the following addition: Section 9(2)(c) of the Terms and Conditions for External System Balancing Actions shall apply to this Product Description with the proviso that confidential information may also be disclosed without permission, provided that such information is exchanged for the purpose of implementing these contractual provisions with the respective intraday-metered end users that are a party to the contract for an LRD product.

## 10 Liability

The general provisions pursuant to section 13 of the Terms and Conditions for External System Balancing Actions shall apply subject to the following addition: The MAM shall not be liable including, without limitation, for any damage to a plant or installation of an intraday-metered end user caused by a reduction in gas consumption in accordance with the contract to allow the supply (SystemBuy) of gas quantities.