

# Case studies on how to execute exchange transactions in compliance with section 25 of the balancing group contract

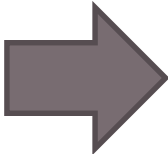


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# Aims of this implementation guide

- The MAM trades gas on the exchange using quality-specific and zone-specific products to physically balance any corresponding imbalances arising in its market area.
- Where the MAM effects such quality-specific or zone-specific exchange trades, it relies on its counterparty to cause a physical effect within the market area in the gas quality or balancing zone/network area agreed in the trade to ensure that the MAM can safeguard the stability of the networks within its market area.
- On the following pages a number of basic example cases are provided to illustrate the practical application of section 25 of the balancing group contract (BGC).



The example cases 1 to 8 are provided for the quality-specific exchange product “EEX NCGH”. They apply accordingly to all other quality-specific products traded on the EEX exchange for delivery in the market areas NetConnect Germany and Gaspool.

Where the MAM enters into zone-specific exchange trades, the relevant transaction is subject to the additional delivery restriction - alongside gas quality - that deliveries must be made in the relevant balancing zone/network area.

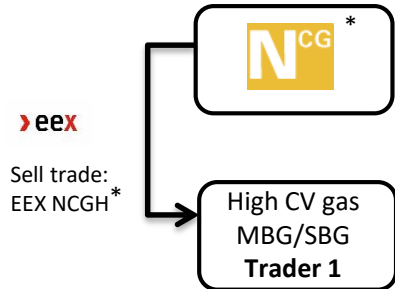
The example cases 9 to 13 provide illustrations for the execution of exchange trades for zone-specific hourly products.

# Case 1

## Trade is offset within own balancing portfolio (section 25(2))

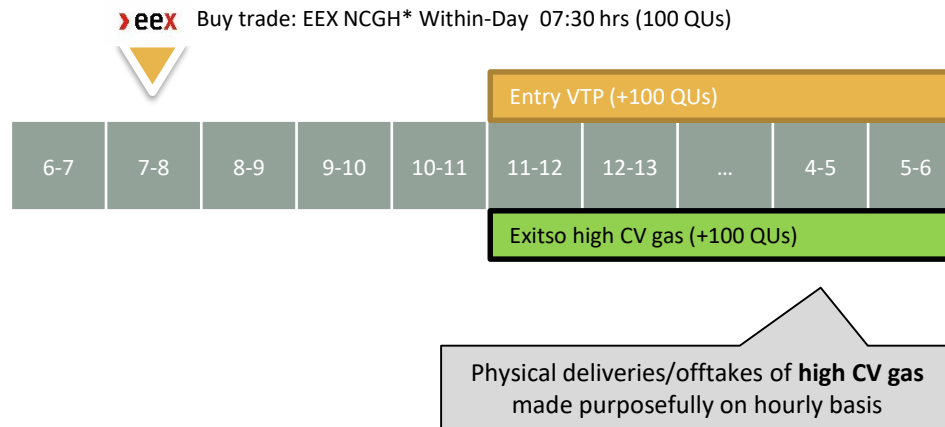
### Chain of trades

Product EEX NCGH \*



### Processes in high CV gas balancing groups

"Trader 1"



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are fully met**

QU = quantity unit

MBG/SBG = master/subordinate balancing group

\* Applies accordingly to all exchange-traded products subject to specific physical delivery restrictions which are traded for delivery in the market area GASPOOL

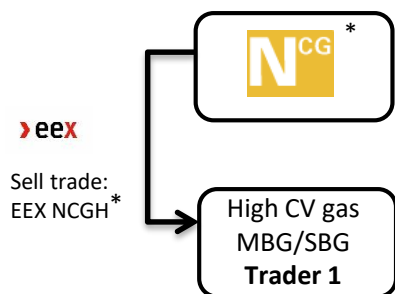
Valid as of 1 October 2020

# Case 2

## No purposeful delivery of physical effect (section 25(2))

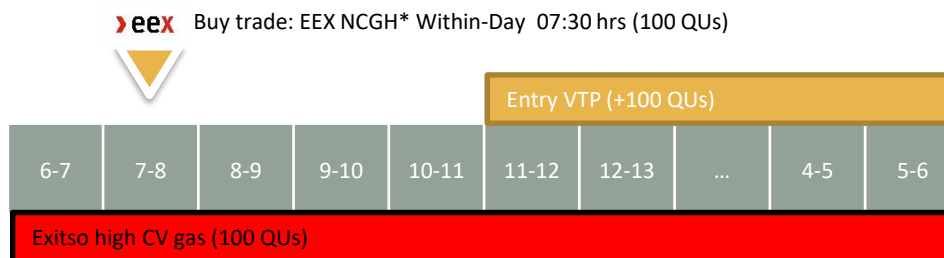
### Chain of trades

Product EEX NCGH \*



### Processes in high CV gas balancing groups

“Trader 1”



Physical deliveries/offtakes of **high CV gas** not made purposefully on hourly basis

### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✗
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are not fully met**

QU = quantity unit

MBG/SBG = master/subordinate balancing group

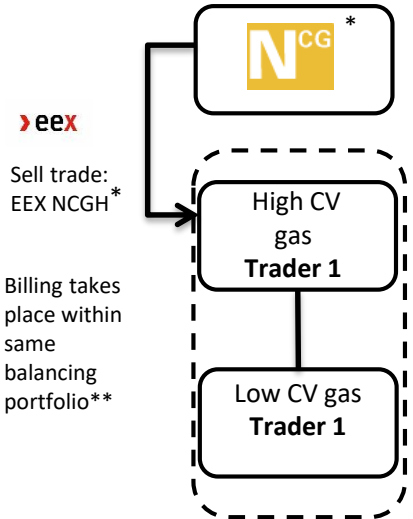
\* Applies accordingly to all exchange-traded products subject to specific physical delivery restrictions which are traded for delivery in the market area GASPOOL

# Case 3

## Trade is offset through conversion mechanism (section 25(6))

### Chain of trades

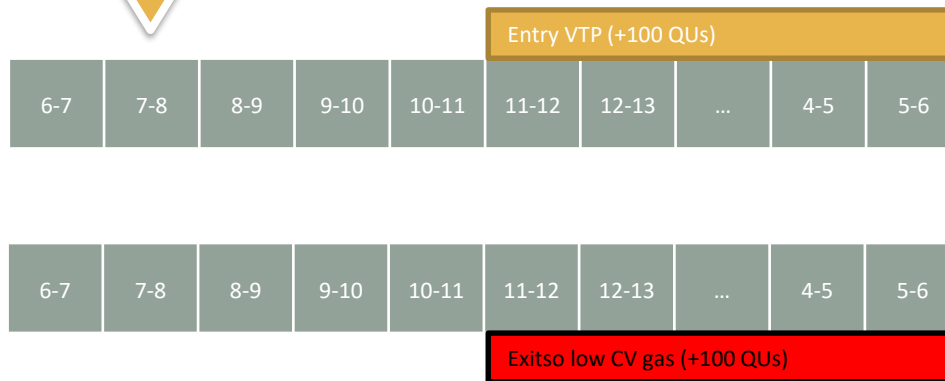
Product EEX NCGH \*



### Processes in high CV gas balancing groups

“Trader 1”

eex Buy trade: EEX NCGH\* Within-Day 07:30 hrs (100 QUs)



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	X
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are not fully met**

No physical deliveries/offtakes of **high CV gas** due to use of virtual conversion mechanism

\* Applies accordingly to all exchange-traded products subject to specific physical delivery restrictions which are traded for delivery in the market area GASPOOL

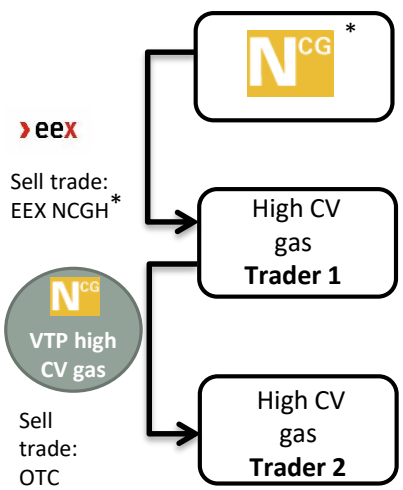
\*\* Regardless of whether the relevant balancing groups are linked, the trade may not be physically settled in a gas quality other than the traded gas quality.

# Case 4

## Trade is offset by VTP trade (section 25(7))

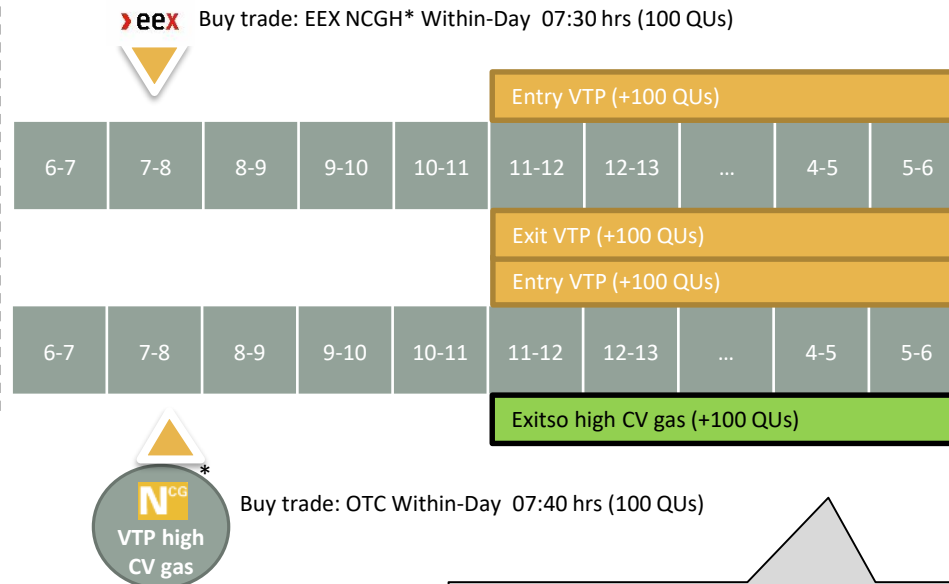
### Chain of trades

Product EEX NCGH \*



### Processes in high CV gas balancing groups

"Trader 1" and "Trader 2"



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	-
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	✓



**Requirements are fully met**

\* Applies accordingly to all exchange-traded products subject to specific physical delivery restrictions which are traded for delivery in the market area GASPOOL

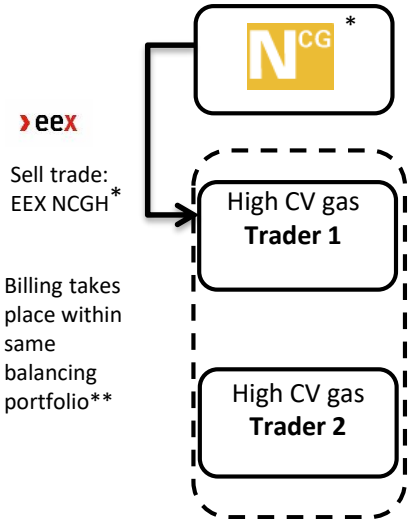
\*\* The obligation to the MAM remains with Trader 1

# Case 5

## Trade is offset within own portfolio by third party (section 25(5))

### Chain of trades

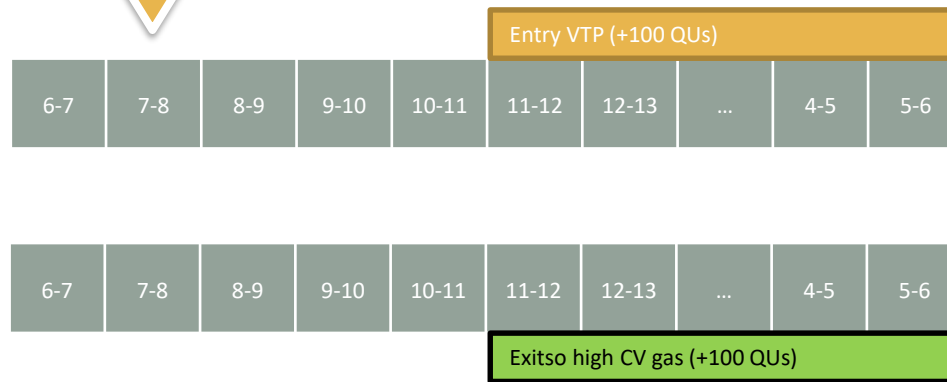
Product EEX NCGH \*



### Processes in high CV gas balancing groups

“Trader 1” and “Trader 2”

eex Buy trade: EEX NCGH\* Within-Day 07:30 hrs (100 QUs)



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are fully met**

Physical deliveries/offtakes of **high CV gas** are effected by Trader 2 (vicarious agent) but procured by Trader 1\*\*\*

\* Applies accordingly to all exchange-traded products subject to specific physical delivery restrictions which are traded for delivery in the market area GASPOOL

\*\* Regardless of whether the relevant balancing groups are linked, the trade may not be physically settled in a gas quality other than the traded gas quality.

\*\*\* The obligation to the MAM remains with Trader 1

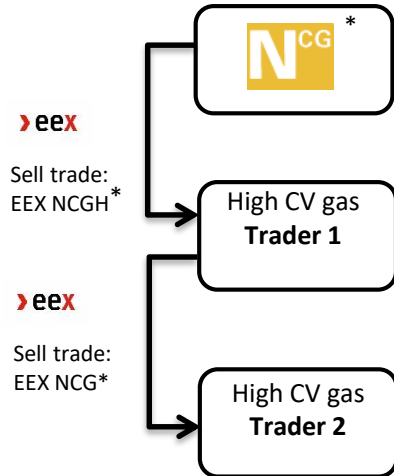


# Case 6

## Buy trade EEX NCGH and sell trade EEX NCG\*\* (section 25(2))

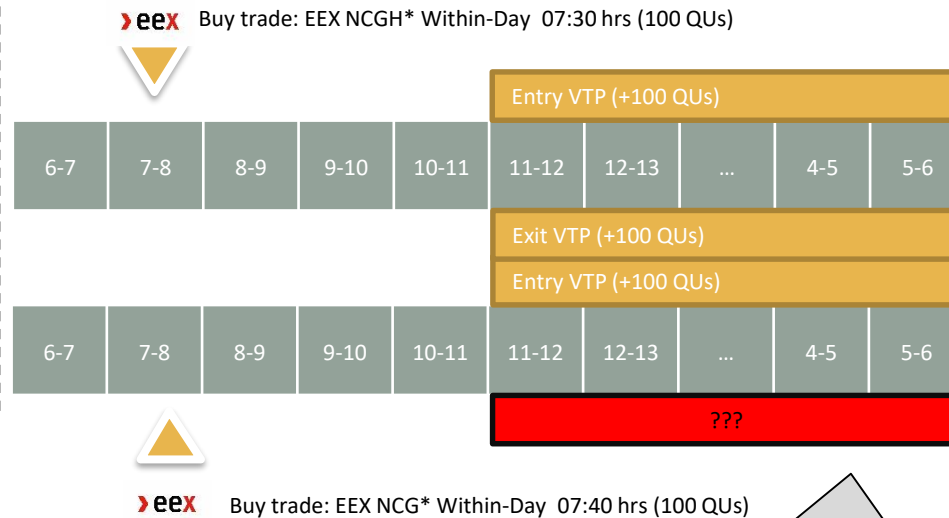
### Chain of trades

Product EEX NCGH \*



### Processes in high CV gas balancing groups

“Trader 1” and “Trader 2”



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	X
Purposeful/hourly delivery of physical effect	X
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are not fully met**

As the trade is made in the non-quality-specific order book EEX NCG, trader cannot procure that physical deliveries/offtakes of **high CV gas** will be made

\* Applies accordingly to all exchange-traded products subject to specific physical delivery restrictions which are traded for delivery in the market area GASPOOL

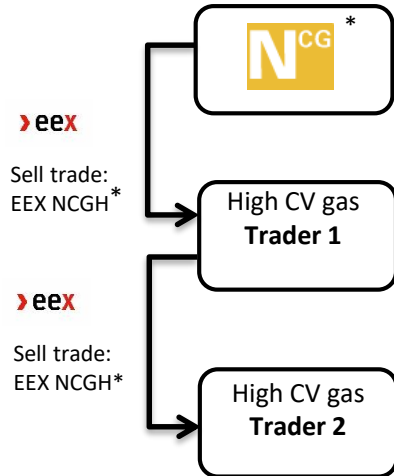
\*\* Offsetting the trade by means of a sell trade in the quality-specific order book EEX NCGH is not permitted, either.

# Case 7

## Trading within quality-specific order book (section 25(8))

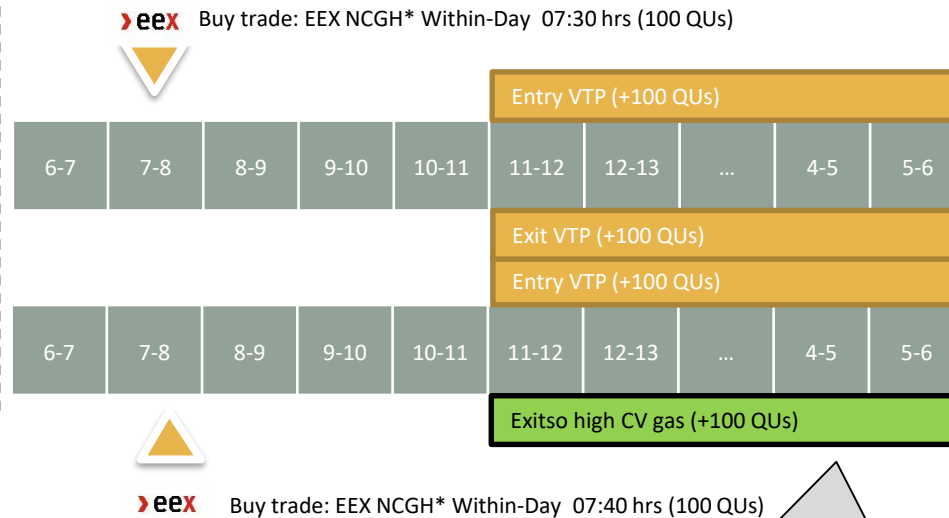
### Chain of trades

Product EEX NCGH \*



### Processes in high CV gas balancing groups

“Trader 1” and “Trader 2”



Physical deliveries/offtakes of high CV gas are procured by Trader 2

### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	-
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are fully met**

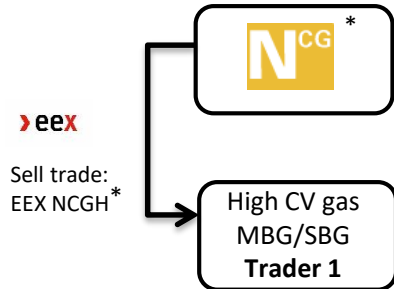
\* Applies accordingly to all exchange-traded products subject to specific physical delivery restrictions which are traded for delivery in the market area GASPOOL

# Case 8

## Meeting demand at exit points using gas of the relevant quality (cf. section 25(4))

### Chain of trades

Product EEX NCGH \*

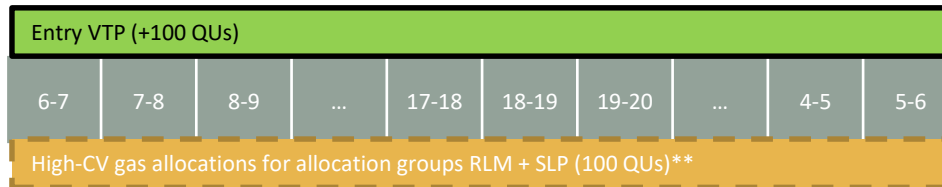


### Processes in high CV gas balancing groups

“Trader 1”

>eex Buy trade: EEX NCGH\* Day-Ahead (100 QUs)

Physical deliveries/offtakes of **high CV gas**: by entering into a buy trade for EEX NCGH the trader ensures that additional physical inputs are avoided in a SystemSELL situation.



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-

- \* Applies accordingly to all exchange-traded products subject to specific physical delivery restrictions which are traded for delivery in the market area GASPOOL and to within-day trades effected for a 24-hour delivery period.
- If the delivery period of quality-specific within-day transactions is less than 24 hours, the trader is obliged to provide suitable proof of the physical effect to the MAM on request of the MAM. Without limitation, suitable proof includes RLM forecast data (in a data quality in accordance with general market practices) on which the trader based the quality-specific transaction.

- \*\* In this case it does not prejudice the trader’s position that the day-ahead EEX NCGH trade was effected for the purpose of supplying gas to end users using gas of the corresponding gas quality. For the sake of clarity it should be noted, however, that traders cannot use physical offtakes at SLP exit points to provide a physical effect within the meaning of section 25.



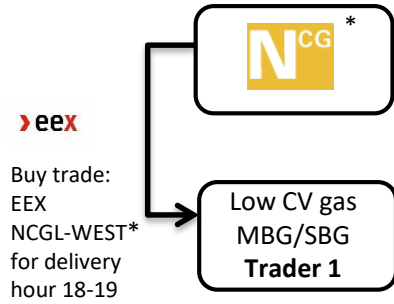
**Requirements are fully met**

# Case 9

## Delivering on exchange trades for zone-specific hourly products in a SystemBuy situation in zone "LW"\* (1/2) (section 25(4))

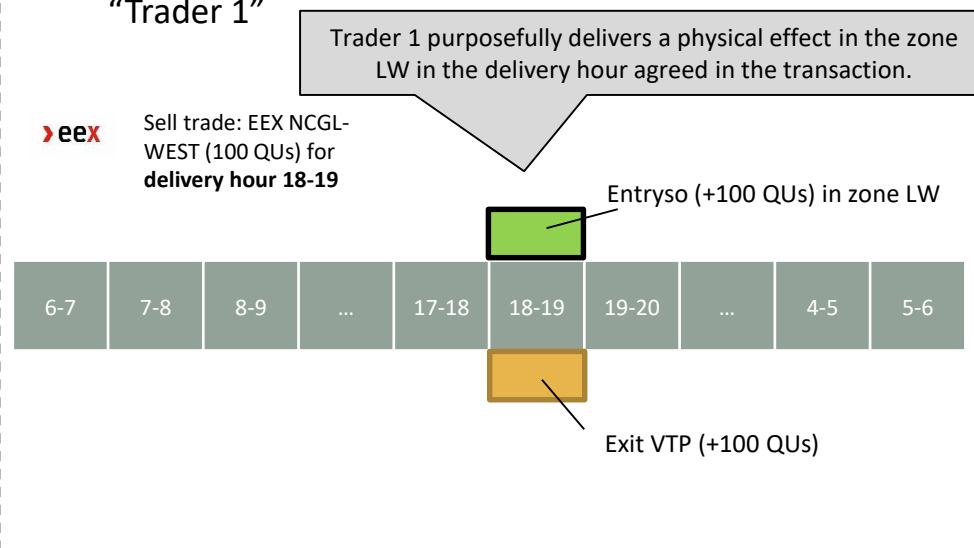
### Chain of trades

EEX NCGL-WEST\*



### Processes in low CV gas balancing groups

"Trader 1"



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are fully met**

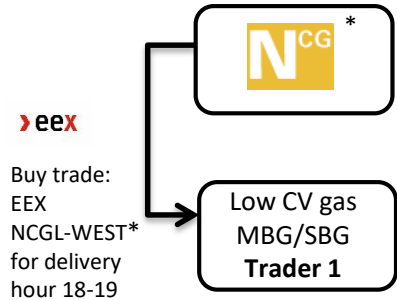
\* LW/WEST = low CV balancing zone West (market area NCG); applies accordingly to all other exchange-traded products requiring physical delivery in a specified hour in a specified balancing zone or network area

# Case 10

## Delivering on exchange trades for zone-specific hourly products in a SystemBuy situation in zone “LW”\* (2/2) (section 25(2))

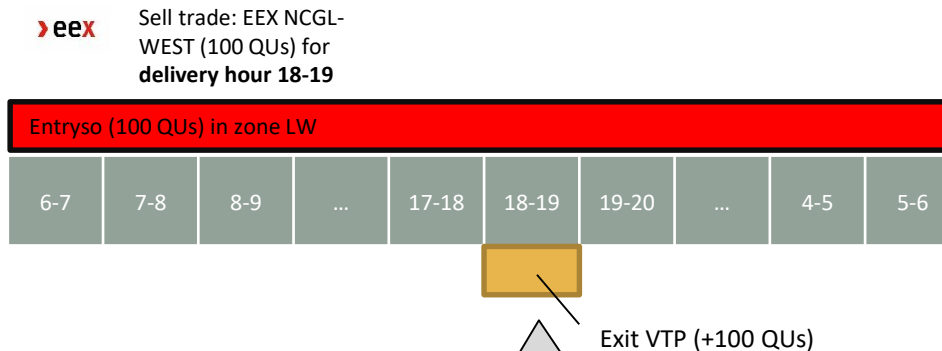
### Chain of trades

EEX NCGL-WEST \*



### Processes in low CV gas balancing groups

“Trader 1”



Trader 1 is required to effect a flow change\*\*. If flow remains unchanged, this does not constitute purposeful physical delivery, regardless of the trader’s nomination history.

### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	X
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are not fully met**

\* LW/WEST = low CV balancing zone West (market area NCG); applies accordingly to all other exchange-traded products requiring physical delivery in a specified hour in a specified balancing zone or network area

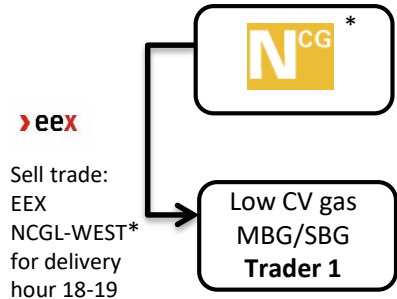
\*\* Flow change means that the physical inputs and/or offtakes must change compared with the final quantities nominated for the hour (hour “H-1”) that precedes the agreed delivery hour (“H”)

# Case 11

## Delivering on exchange trades for zone-specific hourly products in a SystemSell situation in zone "LW"\* (1/2) (section 25(4))

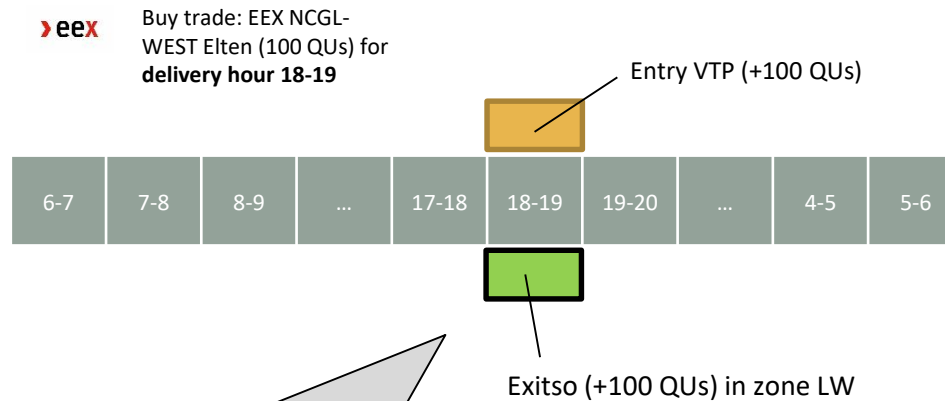
### Chain of trades

EEX NCGL-WEST \*



### Processes in low CV gas balancing groups

"Trader 1"



Trader 1 purposefully delivers a physical effect in zone LW in the delivery hour agreed in the transaction.

### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are fully met**

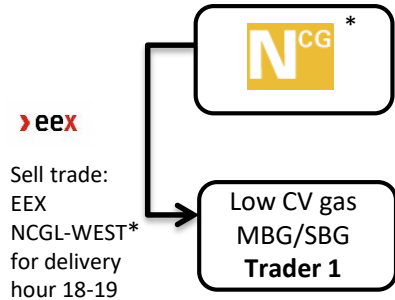
\* LW/WEST = low CV balancing zone West (market area NCG); applies accordingly to all other exchange-traded products requiring physical delivery in a specified hour in a specified balancing zone or network area

# Case 12

## Delivering on exchange trades for zone-specific hourly products in a SystemSell situation in zone "LW"\* (2/2) (section 25(2))

### Chain of trades

EEX NCGL-WEST\*



### Processes in low CV gas balancing groups

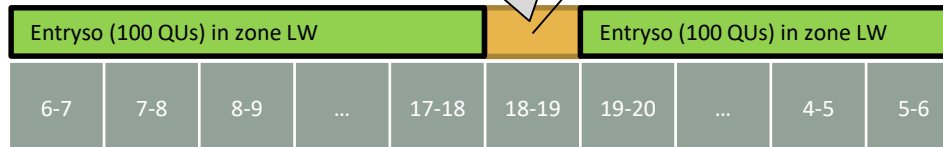
"Trader 1"

> eex

Buy trade: EEX NCGL-  
WEST (100 QUs) for  
delivery hour 18-19

Renomination made by Trader 1 for delivery hour agreed in transaction (flow change on previous hour, see case 10 for definition) constitutes purposeful physical effect.

- Entry VTP (+100 QUs)
- Entryso (-100 QUs)



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



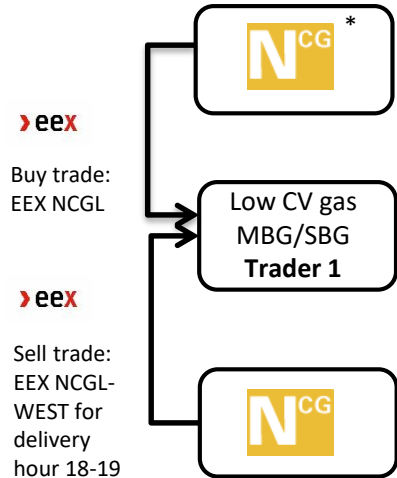
**Requirements are fully met**

\* LW/WEST = low CV balancing zone West (market area NCG); applies accordingly to all other exchange-traded products requiring physical delivery in a specified hour in a specified balancing zone or network area

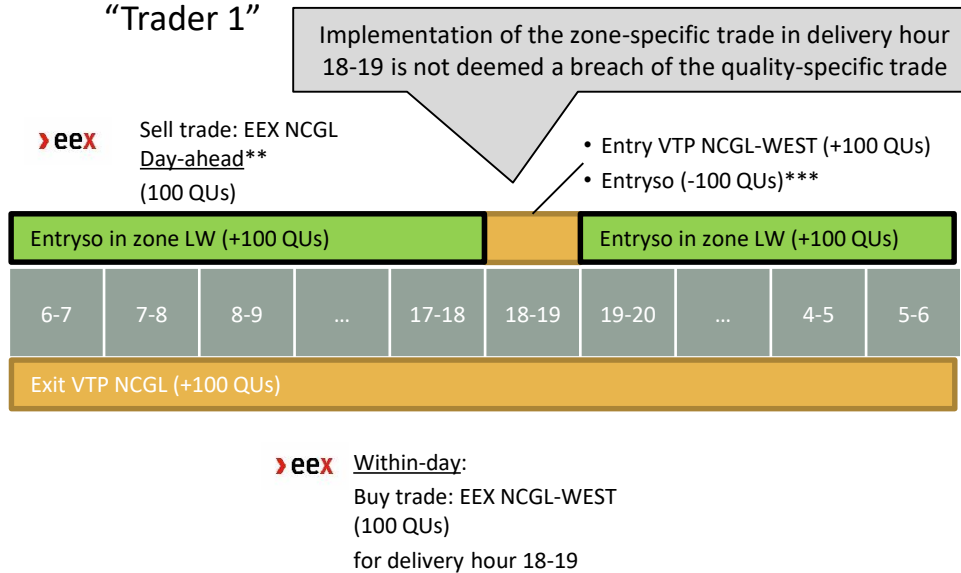
# Case 13

## Delivering on quality-specific and zone-specific trades in opposite directions within the same zone (section 25(2))

### Chain of trades EEX NCGL / NCGL-WEST\*



### Processes in low CV gas balancing groups "Trader 1"



### Requirements

pursuant to section 25 BGC

Physical deliveries/offtakes outside of conversion mechanism	✓
Physical deliveries/offtakes from within own balancing portfolio (burden of proof: Trader 1)	✓
Purposeful/hourly delivery of physical effect	✓
Physical deliveries/offtakes made by VTP counterparty (burden of proof: Trader 1)	-



**Requirements are fully met**

\* LW/WEST = low CV balancing zone West (market area NCG); applies accordingly to all other exchange-traded products requiring physical delivery in a specified hour in a specified balancing zone or network area

\*\* Applies accordingly to within-day trades

\*\*\* Trader 1's physical entry flow in zone LW in this hour is effectively reduced to zero. The VTP offtakes allocated for the quality-specific EEX NCGL trade do not have a corresponding physical but rather a VTP entry position (low CV gas) of 100 QUs.



# Overview of physical delivery options (1/2)

		Delivering on <i>quality-specific</i> physical exchange trades											
		Physical points and allocation groups						Exchange trades				VTP	
		High CV gas			Low CV gas								
Product	Trade*	ENTRYSO H	EXITSO H	RLM H	ENTRYSO L	EXITSO L	RLM L	EEX NCGH	EEX NCGL	EEX NCG	EEX "Zone"***	VTP H (bilateral)	VTP L (bilateral)
Section 25 BGC	EEX NCGH Buy	↓	↑	↑	X	X	X	S	X	X	X	S <sup>TP</sup>	X
	EEX NCGH Sell	↑	↓	↓	X	X	X	B	X	X	X	B <sup>TP</sup>	X
	EEX NCGL Buy	X	X	X	↓	↑	↑	X	S	X	X	X	S <sup>TP</sup>
	EEX NCGL Sell	X	X	X	↑	↓	↓	X	B	X	X	X	B <sup>TP</sup>

Legend	
↑	Increase
↓	Reduction
B	Buy
S	Sell
S <sup>TP</sup> /B <sup>TP</sup>	Effect is realised by third party (proof to be provided by trader)
X	Breach of section 25 BGC

\* From the perspective of the trader  
 \*\* "Zone" = exchange products requiring physical delivery in a specified balancing zone or network area

# Overview of physical delivery options (2/2)

		Delivering on <b>zone-specific</b> physical exchange trades												
		Physical points and allocation groups						Exchange trades				VTP		
		High CV gas			Low CV gas									
Product**	Trade*	ENTRYSO H	EXITSO H	RLIM H	ENTRYSO L Zone***	EXITSO L Zone***	RLIM L	EEX NCGH	EEX NCGL	EEX NCG	EEX NCGL-WEST	EEX NCGL-EAST	VTP H (bilateral)	VTP L (bilateral)
Section 25 BGC	EEX NCGL-WEST*** Buy	X	X	X	↓	↑	X	X	X	X	S	X	X	S <sup>TP</sup>
	EEX NCGL-WEST*** Sell	X	X	X	↑	↓	X	X	X	X	B	X	X	B <sup>TP</sup>
	EEX NCGL-EAST*** Buy	X	X	X	↓	↑	X	X	X	X	X	S	X	S <sup>TP</sup>
	EEX NCGL-EAST*** Sell	X	X	X	↑	↓	X	X	X	X	X	B	X	B <sup>TP</sup>

Legend	
↑	Increase
↓	Reduction
B	Buy
S	Sell
S <sup>TP</sup> /B <sup>TP</sup>	Effect is realised by third party (proof to be provided by trader)
X	Breach of section 25 BGC

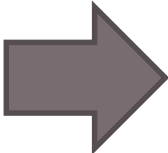
\* From the perspective of the trader

\*\* Applies accordingly to all other exchange-traded products requiring physical delivery in a specified balancing zone or network area

\*\*\* Point of delivery for EEX NCGL-WEST => points in NCG zone LW; point of delivery for EEX NCGL-EAST => points in NCG zone LO

# Proving delivery of physical effect (1/2)

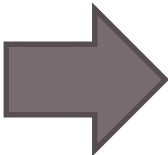
- ... by way of nominations or renominations at physical points
  - confirmation of nominations or renominations made at physical points (market area interconnection points, cross-border interconnection points, storage facilities)
  - proof of purpose:
    - generally, reference = last valid (re-)nomination prevailing when action is taken (plausible for MAM)
    - for hourly products, however, these must always result in an actual flow change, i.e. the physical inputs and/or offtakes must change compared with the final quantities nominated for the hour (hour “H-1”) that precedes the delivery hour (“H”) agreed in the transaction
- ... by a third party (VTP, balancing portfolio)
  - documentary evidence of vicarious agent being instructed to cause the physical effect
  - confirmation of contract (re-)nominations relating to bilateral supply contracts which expressly require physical deliveries of gas to be made in the relevant gas quality



To cause a physical effect, each (re-)nomination has to be confirmed by the relevant TSO/SSO. To verify that a physical effect was caused purposefully, the MAM may request the (re-)nomination history before and after the exchange trade was entered. The mere sending of (re-)nominations without having a corresponding counter-position before the exchange trade was entered will not be considered a physical effect.

# Proving delivery of physical effect (2/2)

- ... by increasing/reducing consumption at an RLM exit point\*
  - documentary evidence of the trading party instructing the end user to flow gas to a certain consumption level (e.g. documented by means of meter readings)
  - the physical effect must be implemented at the relevant RLM exit point(s) with effect from the same delivery start as agreed under the corresponding trade on the exchange



The above list is not exhaustive. Evidence should preferably be submitted in an electronic format that is compatible with standard software for further processing by the MAM.

**Please note:** If a trader becomes aware that it has failed to deliver a physical effect (for example due to IT failure), it is recommended to contact the MAM in whose market area the physical effect was to be caused.

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