

# German gas market merger FAQs



**Germany plans to merge its two gas market areas — NCG and Gaspool — at the start of October, in what will be the largest structural change in the European gas market for several years. The challenge for the new market area manager will be to ensure a smooth transition by dealing with physical bottlenecks arising from the integration. Argus answers your questions below.**

### What is the name of the new market area?

The new market area manager will be named Trading Hub Europe (THE). Argus' German price is called Argus Germany VTP (Trading Hub Europe).

### When will the new market area be launched?

The new market area is scheduled to start on 1 October 2021. This will coincide with the beginning of the gas year and is six months ahead of the 1 April 2022 deadline under German law.

### Who are the shareholders of the entity that will manage the single German market area?

The transmission system operators, which were shareholders of market area managers NCG and Gaspool, are joint shareholders of the single German market area manager, THE, which was formed at the start of June.

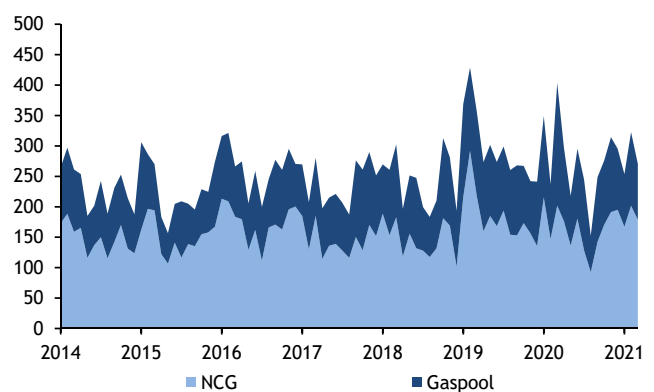
### Which contracts does Argus assess for the single German market area?

Argus produces forward price assessments for the new German virtual trading point (VTP). Our Germany VTP (Trading Hub Europe) prices are published for periods after the scheduled merger date, so the most proximate assessments are for the fourth quarter of 2021 and October 2021. Forward curves extend as far as existing Gaspool and NCG forward curves.

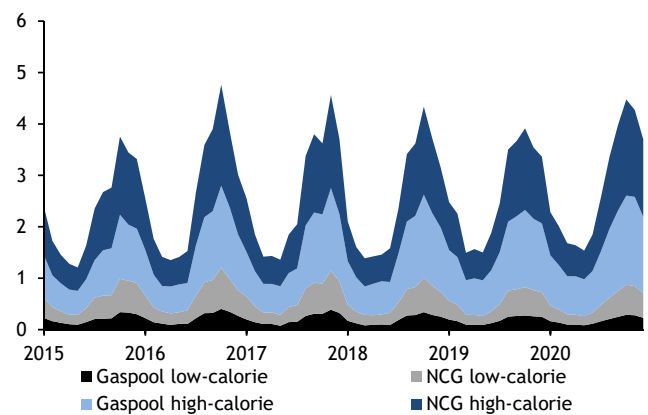
### What is the rationale behind the merger?

Germany's economy ministry expects the merger to increase liquidity and security of supply, which it said will ultimately

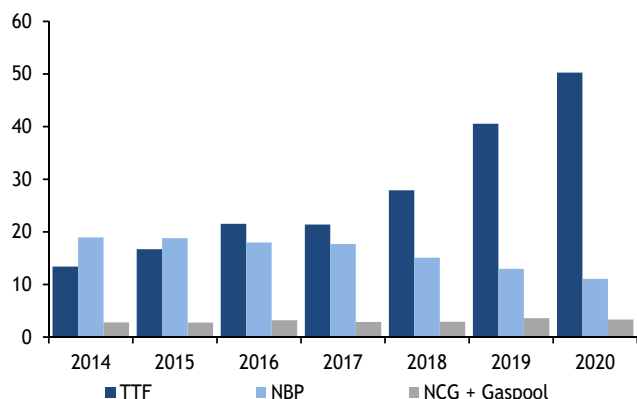
Stable 60:40 split in German liquidity TWh



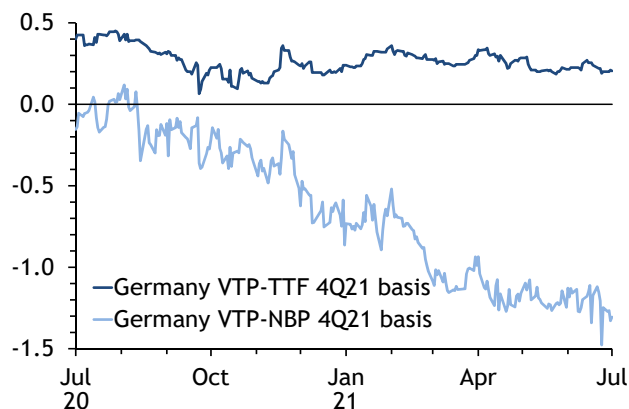
German high and low-calorie consumption TWh/d



TTF gains liquidity while German hubs stall PWh



Germany VTP basis markets €/MWh



benefit all German consumers. The ministry believes it can provide the foundation for future cross-border mergers, such as with the Dutch TTF.

### Will there still be separate high-calorie and low-calorie markets?

Yes, it will be a multi-quality market area with separate high-calorie and low-calorie networks, as in the existing NCG and Gaspool areas. Market participants can send either high or low-calorie gas into the system to supply customers, while the market area manager carries out balancing actions to provide the required quality of supply.

### How will the merger affect gas transport tariffs?

A uniform reference price for all entry and exit points will apply in Germany from the start of October, replacing separate reference prices for NCG and Gaspool earlier in the year. This tariff has been published for the fourth quarter of 2021 and the 2022 calendar year ([see reference prices](#)).

Multipliers will be applied to bookings for durations of less than a year, raising the cost of taking up shorter-term capacity.

German transport capacity multipliers	
Capacity type	Multiplier
Annual	1.00
Quarterly	1.10
Monthly	1.25
Day-ahead	1.40
Within-day	2.00

— German gas system operators, Bnetza

### What about transport fees for storage facilities?

A 75pc discount will apply to entry and exit tariffs at storage connection points — except for when firms use sites connected to more than one market area for cross-border transport, when no

discount is granted. These rules already apply to Gaspool and NCG.

### How will the merger affect other fees and charges applied by the market area managers?

Fees and charges related to quality conversion and the VTP will be calculated for the combined German market area for the 2021-22 gas year. Germany's existing Konni Gas 2.0 regulations will continue to apply ([see fees and charges](#)).

### What are the discounts for interruptible transport capacity after the merger?

A 20pc discount will be granted to interruptible transport capacity bookings at domestic and border connection points in the high-calorie network, up from 10pc before the merger date. A smaller 10pc discount will be applied at all points in the low-calorie grid.

### Will gas transport capacity into Germany be just as reliable after the merger?

The merger will result in a 78pc drop in firm, freely allocable (FZK) entry capacity into the grid — that is, capacity considered “physically secured”. This is mainly because of limited transport capacity between the existing NCG and Gaspool. But a range of market-based measures will be introduced to alleviate congestion.

### Which market-based measures will be introduced?

Germany's system operators have developed three market-based tools to alleviate bottlenecks, to be used in this order:

1. Wheeling, when gas travels a short distance across a neighbouring European market area to avoid physical restrictions.
2. Third-party network use, when gas is transported from one part of the German grid to another using an external network, but over a longer distance.
3. If the first two measures are not enough, an exchange-based spread product can be called upon to allow for trade across unconnected parts of the network.

### What is the capacity overbooking and buyback system?

By means of an overbooking system, German system operators will be able to offer firm capacity in excess of available technical capacity. When nominated flows exceed available technical capacity, operators will have to buy back capacity from shippers. This will be a last resort and used only when the three market-based instruments listed above are not enough to resolve congestion problems.

### How much will these measures cost?

While full system fees for the 2021-22 gas year have yet to be confirmed, system operators' association FNB has estimated the cost of using market-based instruments.

Expected costs for use of market-based instruments				€mn
Scenario	2021-22	2023-24	2024-25	2030-21
High use	2.9	23.9	27.6	68.3
Medium use	0.6	6.2	5.8	23.2
Low use	0.1	1.1	1.1	7.6

— FNB

### Will there be new virtual interconnection points (VIPs)?

Several new VIPs are planned for the merged market area. Two new VIPs will be created on 1 October, while two more are planned to start on 1 April 2022. There will still be two separate VIPs with the Czech Republic (see table below).

Germany will continue to operate a 'dual model' for its VIPs. Available capacity will be marketed at the VIPs, while

capacity booked before they were created remains at the interconnection points until the contracts expire.

### What will happen to the German balancing zones after the merger?

Germany's system operators have developed a new range of locational balancing gas products to be offered following the merger. This is partly to allow shippers to use the same locational order books for balancing products as for new exchange-based spread products.

### What are the key dates to watch for?

Watch out for these key milestones:

Date	Event
<b>Mid-Aug 21</b>	Publication of charges and conversion neutrality fee
<b>1 Oct 21</b>	Launch of new market area
	Launch of THE-Netherlands (L) and THE-Denmark VIPs
	Balancing groups transferred to THE
<b>1 Apr 22</b>	Deadline to complete merger under German law
	Launch of THE-Netherlands (H) and THE-Belgium VIPs

### New VIPs planned following German market merger

New VIP	Launch date	TSO in charge	Other TSOs involved	Involved IPs	Old VIPs
THE-Netherlands (L)	1 Oct 2021	Thyssengas	Gastransport Nord	Oude Statenzijl	VIP TTF-Gaspool L
			Gasunie Deutschland	Elten	VIP TTF-NCG L
			Open Grid Europe	Vreden	
				Tegelen	
				Haanrade	
			Zevenaar		
			Dinxperlo		
THE-Denmark	1 Oct 2021	Gasunie Deutschland	Open Grid Europe	Ellund	
THE-Belgium	1 Apr 2022	Open Grid Europe	Fluxys Tenp	Eynatten	VIP Belgium-NCG
			Thyssengas	Eynatten-Raeren	
			Gascade	Lichtenbusch	
THE-Netherlands (H)	1 Apr 2022	Gasunie Deutschland	Fluxys Tenp	Oude Statenzijl	VIP TTF-Gaspool H
			Gascade	Open Grid Europe	VIP TTF-NCG H
			Thyssengas	Bocholtz-Vetschau	
			Open Grid Europe		

— German system operators

## German gas fees, charges and transport tariffs

This is a snapshot of data available to download as part of the Argus European Natural Gas service.

German transport capacity reference prices				€/MWh
Period	NCG	Gaspool	Germany VTP	Notes
2020	0.465	0.384	-	Final
Jan-Sep 2021	0.430	0.379	-	Final
Oct-Dec 2021	-	-	0.434	Final
2022	-	-	0.401	Final

— German gas system operators, Bnetza

Gaspool gas fees and charges							€/MWh
Period	Quality conversion fee (H to L)	Quality conversion fee (L to H)	Conversion neutrality charge	RLM balancing neutrality charge	SLP balancing neutrality charge	VTP fee	
Winter 2015-16	0.400	0.400	0.000	0.000	1.500	0.00160	
Summer 2016	0.400	0.400	0.000	0.000	0.000	0.00160	
Winter 2016-17	0.441	0.000	0.000	0.250	0.750	0.00153	
Summer 2017	0.400	0.000	0.022	0.080	0.200	0.00153	
GY 2017-18	0.450	0.000	0.017	0.080	0.200	0.00150	
GY 2018-19	0.450	0.000	0.075	0.260	0.730	0.00130	
GY 2019-20	0.420	0.000	0.005	0.015	0.290	0.00116	
GY 2020-21	0.390	0.000	0.000	0.000	0.000	0.00118	

— Gaspool

NCG gas fees and charges							€/MWh
Period	Quality conversion fee (H to L)	Quality conversion fee (L to H)	Conversion neutrality charge	RLM balancing neutrality charge	SLP balancing neutrality charge	VTP fee	
Winter 2015-16	0.300	0.300	0.000	0.000	0.000	0.0010	
Summer 2016	0.450	0.450	0.150	0.400	0.800	0.0010	
Winter 2016-17	0.450	0.000	0.150	0.000	0.800	0.0012	
Summer 2017	0.450	0.000	0.040	0.000	0.000	0.0012	
GY 2017-18	0.450	0.000	0.000	0.000	0.000	0.0012	
GY 2018-19	0.450	0.000	0.150	0.600	1.200	0.0015	
GY 2019-20	0.450	0.000	0.000	0.100	0.100	0.0014	
GY 2020-21	0.450	0.000	0.000	0.100	0.000	0.0014	

— NCG

Argus has launched forward gas price assessments in advance of Germany's market merger to provide clients with transparency about forward prices and the tools to plan ahead. Prices are published in Argus European Natural Gas, along with regular news and analysis around the merger and the latest regulatory developments for the market. [Click here to contact us](#)

### For more information:



[contact@argusmedia.com](mailto:contact@argusmedia.com)



+44 20 7780 4200



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