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Position on the consultation of a neutrality charge concept to cover the cost of strategic storage according to Energy Act article 35e (BK7-22-052)

Dear sirs,

Thank you very much for providing opportunity to participate in the definition of an ordinance to define the rules regarding setting of neutrality levies for the strategic storage.

Where should this new levy be raised?

In the justification section to the Gas Storage Act it was suggested to charge the levy against balancing group accounts based on the allocated volumes of gas taken off the network, exempting storage injections. Article 35e requires the German regulator to determine the methodology to recover the cost of strategic storage and does not place any legal restrictions on the regulator in doing so. While the explanatory section of the act may suggest an approach, this is not legally binding and therefore the regulator has flexibility to develop a more considered and effective solution.

We agree that the exemption for storage is reasonable, especially as it is to cover the cost of the strategic storage. Including exits from the network into storages would result finally in an infinite loop of cost roll over. On the other hand, we disagree with the idea of including X-border exits, whether they may be physical or virtual interconnection points. The same discussion had previously been conducted regarding the cost distribution for the Market Area Conversion or the biomethane levies. Neighboring Member States and their consumers should not be burdened by ensuring security of supply within Germany. A levy on X-border flows, would conflict with the burden-sharing as proposed in the Triologue compromise version of the

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European Storage Ordinance and with the European Netcode for Tariffication. Should the international solidarity principle be activated, we expect that the supported neighboring Member State is going to pay accordingly to the country that gives the support, thus sharing the burden.

By using the same mechanism as for MACL/biomethane even the requirement would be obsolete, to install separate sub-balancing accounts to ensure storage and other exit points are separated out in a balancing group to allow allocation of the new levy as was proposed by Trading Hub Europe (THE).

Exemption of X-border flows will avoid unnecessary new barriers for the internal market, be in line with upcoming new EU storage regulation and existing NC Tar, as well reduce the complexity of the anyhow difficult to handle German balancing system.

Thus, the new levy should be installed in the same way as the current MACL or biomethane levy.

How often should the new levy be recalculated and what would be the best reference period?

Only in case THE and the Bundesnetzagentur can guarantee the end date stated in the Gas Storage Act is not going to be extended, we can agree with the proposed 3 ½ year period. The disadvantage with such a long duration is that several market participants might have exited the market or closed their balancing group account. THE states that a final invoicing will only be done with balancing groups that are still existing by the end of March 2025. This could be seen unfair to endusers, who's current supplier had a reason to terminate the balancing account that was used at time of delivery.

If there is any doubt, that the Gas Storage Act could not end by the target date, we would prefer to have an annual settlement. Only this would allow a fair treatment of all users, the effect on THE to run annual settlement is limited as it should be routine processes, especially if more standardization according to MACL and biomethane levy is implemented.

We agree that a short cycle of just 3 months for the next recalculation of the levy would help to avoid high risks for THE. Only the risk is thus pushed to the enduser or the supplier, who can not run a good price calculation or has to incorporate unnecessarily high premium to avoid price changes. In this context we fully reject to even demand a financial liquidity on top. Either the levy is to be set for the full period without quarterly recalculation but with a liquidity buffer, or a recurrent amendment, but not on top another safety net that is to be paid by those who get charged this levy.

From the view of the grid user, describing the liquidity buffer as a proven tool to maintain a steady level of levies, can not be conceded. History has proven that in particular after unforeseen circumstances, not only the cost of balancing measures were to be recollected, but

also the liquidity buffer was set to new and higher levels to be repaid by the respective neutrality levy within in the same next period, which in fact was the major cause for instability.

In this context we do not agree to the argument that this procedure would result in less erratic levels of the new levy. As THE does not seem able to hedge the cost of gas procured to inject into UGS claimed under the UIOLI clause and the Ministerial Ordinance on Interruptible Storage Capacity, we will see a significantly high level during the injection phase, while only when the gas gets lifted or sold to other participants into another storage account, the final loss or gain of the measure becomes known. Thus we expect a saw-tooth pattern for the levy during the Gas Year if there would be a quarterly amendment.

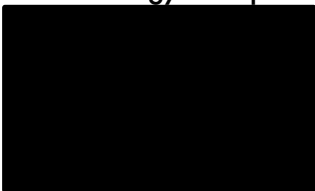
How much transparency is necessary?

THE already provides preliminary data on the status of the regulatory accounts for the various balancing and conversion fees and levies on a continuous basis. The market has learned and understands that these numbers can get amended by the time final calculations have been completed. The earlier presence of perhaps later slightly amended numbers is in fact a good indication for the next period and should be applied to this levy also, to allow analysts to do their own prediction of future level of the new neutrality charge.

More and earlier data made available for market participants, especially if the publication of the levy would only happen 6 weeks before its effectiveness, would be a basic requirement. Also, the publication of further assumptions regarding the principles of THE's calculation may not be waived.

Please do not hesitate to contact, if you like to further discuss.

Yours sincerely,
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