

Warsaw, 20 December 2018

TGE expands its offering with low-methane natural gas

Press Release

- **On 19 December 2019, Towarowa Giełda Energii (TGE) started listing low-methane natural gas on the Day-Ahead and Intraday Gas Markets.**
- **The launch of exchange trading in low-methane natural gas (Lw grade) gas will extend transparent market pricing mechanism onto this market.**
- **The project was developed in cooperation with the Transmission System Operator – GAZ-SYSTEM S.A.**
- **In addition, TGE introduces a change in quotations on the Intraday Gas Market, where high-methane gas is traded. Instruments with hourly delivery will be replaced by a single intraday instrument.**

On 19 December 2018, the first quotation of instruments for low-methane natural gas (Lw grade) took place on the gas spot markets operated by TGE, i.e. the Day-Ahead Market and the Intraday Market. The commencement of exchange trading in Lw natural gas is related to the requirement of Commission Regulation (EU) No. 312/2014 of 24 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.

The project is the result of many months of cooperation with the Transmission System Operator - GAZ-SYSTEM S.A. - and potential market participants. The overriding objective of the project was to create a mechanism that would create a transparent price for the low-methane gas market to be relied on by market participants as well as by the Transmission System Operator, as the latter would be able to use this price for system balancing purposes.

"The launch of the low-methane gas market is another step that brings us closer to the implementation of the network balancing code" – says Mariusz Kozłowski, GAZ-SYSTEM's Spokesman.

The transmission infrastructure for low-methane natural gas is located in the following provinces: Dolnośląskie, Lubuskie and Wielkopolskie. Gas supplies to customers originate from domestic deposits located in Western Poland. According to data from the Energy Regulatory Office, the volume low-methane natural gas flows through the transmission system in 2017 totalled 8.5 TWh.

In order to expanding the scope of business activity, the Exchange was required to adapt membership rules, modify the Detailed Trading and Clearing Rules, introduce changes in the X-Stream quotation system, changes in the system for nomination submission to the Transmission System Operator, and to align reporting. Additionally, the Warsaw Commodity Clearing House had to apply appropriate changes in the X-Stream Clearing system in order to enable the clearing process for these instruments.

"The launch of the low-methane natural gas market is the next step in the liberalisation of the market for this fuel. It provides an opportunity for entities previously participating in the high-methane gas market to enter into transactions for Lw-grade gas. In addition, if there is sufficient liquidity, it will enable the creation of a credible Lw-grade gas price index" – said Piotr Listwoń, Vice President of the Management Board, Operations.

With the introduction of low-methane gas, TGE, in response to requests from market participants, has changed the quotations of high-methane gas on the Intraday Market by reducing the number of quoted instruments from 24 to one.

Detailed information on the introduced instruments is available in the Detailed Trading and Clearing Rules for Gas traded on the Day-Ahead and Intraday Market for Gas, published at www.tge.pl.