Dear Madam, Sir

Gazprom Marketing & Trading Limited Response to

Public Consultation of the *Commission de Régulation de l'Energie* of 10th February 2014 related to the creation of a joint GRTgaz-TIGF marketplace as of 1st April 2015

GM&T is the UK registered wholly-owned subsidiary of Gazprom Group ("Gazprom"), responsible for the optimisation of Gazprom's energy commodity assets through GM&T's marketing and trading network. GM&T Ltd is active as a shipper and marketer of gas at various points in Europe, and especially in France. It is also engaged in the Retail business through its subsidiary Gazprom Marketing and & Trading Retail Ltd. Therefore, it has a keen interest in ensuring a workable French gas market on both points of views.

Question 1: *Do you have any comments on the management rules proposed by the TSOs for the joint GRTgaz and TIGF PEG?*

GM&T Ltd believes that the proposed management rules for the joint PEG are a minimum requirement if moving to such a market design.

Indeed, there would be little interest in changing the market structures if trades at the joint PEG could not be firm.

Similarly, there should not be any sort of restriction between shippers active on both TSOs network and those active in only one of the two networks. A transaction on the common PEG should be made possible to any actor active and entitled for trading at this point.

GM&T Ltd supports the choice of a single TSO for the management of the joint PEG. GRTgaz seems to be the most experienced of the two TSOs to ensure this task and a management similar to the one in place at PEG North is likely to be satisfactory to the majority of market players. However, it seems that the payment of the fees for accessing the joint PEG remains to be assessed. This should be made clear before the end of Q2 2014.

Question 2: *Are you in favour of an implementation of Option 1 proposed by the TSOs for the creation of the joint GRTgaz South and TIGF PEG?*

No, GM&T Ltd is not in favour of Option 1 for the creation of the joint PEG. Indeed, this solution introduces additional constraints and risks:

- The introduction of a "scheduling imbalance" is detrimental to the initiative to merge marketplaces and increase the efficiency of the system. The management of this scheduling imbalance, outside of the

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possible overlaps with the UBI or Buy-Back mechanisms, will simply increase the burden over shippers and the costs of the merger.

- Restrictions on re-nominations at the notional consumption points are a strong threat to shippers. Depending on the structure of the supply portfolio of shippers, in particular if it is made of large consumption sites, such restrictions would simply cause massive imbalances that would be hardly manageable. **Generally speaking, GM&T Ltd is strongly opposed to restrictions on renominations, at cross-border points as well as at domestic consumption points.**
- Under Option 1, a shipper will have all latitude to arbitrate between the two market zones when dispatching its imbalance. This behaviour should be avoided as much as possible.
- The inability of shippers to merge imbalances of their south portfolio is also a strong argument against Option 1.

As a conclusion, GM&T Ltd believes this market design should not be implemented.

Question 3: *Are you in favour of an implementation of Option 2 proposed by the TSOs for the creation of the joint GRTgaz South and TIGF PEG??*

GM&T Ltd is in favour of the implementation of Option 2 and sees several advantages to such a solution:

- The complete pooling of trading activities at the joint PEG will foster liquidity and develop competition. While PEG South was already benefitting from a small but constant level of liquidity, PEG TIGF was highly illiquid. Considering that the provisions of the Third Energy Package and subsequent regulations are placing markets at the centre of gas systems, more liquidity should benefit to the well-functioning of the network, in particular on the balancing aspects.
- In a shipper's perspective, this option seems to be the closest to the current situation and is therefore likely to lead to reduced changes in the shipper's internal processes, thus decreasing overall costs for stakeholders.
- Imbalances of shippers in the two consumption zones will be merged. This will result in a greater use of portfolio effects and therefore decrease the unit cost of balancing. This should ultimately benefit to customers through more attractive offers

As a conclusion, Option 2 seems the most likely to benefit to the community of shippers and therefore to consumers in the south of France.

Question 4: *Are you in favour of CRE's proposal concerning an allocation key specific to each shipper to distribute daily imbalances between the two consumer zones in Option 2? If you do not agree, do you have any other suggestions?*

It seems that the split of the imbalance between the two physical balancing zones is one of the last details remaining for defining completely the future market model under option 2.

GM&T Ltd thinks that the structure of the portfolio should be respected when dispatching imbalances between systems. The normative 50/50 split is unlikely to deliver good results at this stage and it would indeed mean that a shipper with no customers in the TIGF area could be paying to TIGF balancing charges for non-existing customers. Such a situation would be unacceptable.

Therefore, GM&T Ltd would support CRE's request to calculate a specific repartition key for each individual shippers, which would mirror as much as possible the imbalance of a shipper in each balancing zone.

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However, GM&T Ltd would strongly recommend holding discussions at Concertation Gaz on the techniques to be used in order to calculate the repartition. The methodology as well as its parameters must be simple and transparent enough to allow shippers to perform this calculation themselves and therefore forecast the split of these imbalances.

__Question 5:__ *Do you consider that it would be useful to ask shippers to make nominations at notional consumption point in the option 2?*

GM&T Ltd believes that the solution consisting in implementing Option 2 based on nominations at the notional consumption points is not optimal and would support the implementation of option 2 with the use of a repartition key for imbalances.

As underlined in the consultation memorandum, option 2 with nominations at the notional exit point involves the management of a "scheduling imbalance" by the shipper and may also lead to restrictions on renominations. As stated at question 2, these are effects that GM&T ltd would want to avoid as much as possible.

Therefore, there should not be any nominations at the notional consumption point, considering that the shipper will nominate its volumes to delivery points on the same basis as under the current rules.

__Question 6:__ *Are you in favour of CRE's proposal concerning capacity restriction management at the interface between the GRTgaz South and TIGF zones? If you do not agree, do you have any other suggestions?*

GM&T Ltd agrees with the principle retained by CRE for the management of restrictions due to maintenance work at the interface between GRTgaz and TIGF. However, we would support TSOs proposal to continue the work on this aspect of the merger and present their conclusions to market players at Concertation Gaz.

__Question 7:__ *Do you have any further comment?*

GM&T Ltd considers that the proposed merger of the marketplaces as a first step towards a unique balancing zone in France. The proposed solution to merge PEG South and PEG TIGF is overall satisfying but should not be considered as the final design.

Indeed, even though balancing rules would be exactly the same for both TSOs, the fact that they will independently go on the market to ensure the physical balancing of their system and buy/sell gas will indeed lead to different marginal prices on each consumption area. Therefore, imbalances would not have the same value.

As a consequence, GM&T Ltd believes that French TSOs should consider the example of Germany where TSOs are collaborating to ensure the balance of the system. In Germany, the market area manager (NCG or GasPool) is ensuring the buy/sell actions on behalf of the TSOs and shippers are cashed out at the same price for their residual balancing.

Therefore, GM&T Ltd would recommend keeping on working on the merger of the market places in order to make the system more "shippers friendly". The creation of a market operator which would work in partnership with TSOs is indeed a foreseeable development that would probably benefit to the gas sector.

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