



Commission de Régulation de L'Énergie  
15, rue Pasquier  
75379 Paris Cedex 08

**MCM-D**

Contact	Steve Rose
Phone	+44 (0) 1793 892068
Email	stephen.rose@rwe.com

Swindon, 08/07/2016

**Public consultation relating to the rules regarding the marketing of storage capacity in the context of the reform of third-party access to storage**

Dear Sirs,

RWE Supply and Trading welcomes the opportunity to respond to the above consultation. See below our responses the questions raised in the consultation, which are not confidential.

*Question 1: Do you agree with the general approaches proposed by CRE?*

Yes

*Question 2: Are you in favour of the marketing schedule proposed by CRE, spanning from 1 November to 31 March?*

Yes. Whilst we hope it will be possible for the regulatory texts and implementing deliberations to be implemented in sufficient time to enable the first marketing period to start in December 2016 as proposed, or earlier if possible, to the extent this proves challenging then market participants, both within and outside in France, should be kept fully apprised of any revision to the proposed timetable.

*Question 3: Are you in favour of CRE's proposal concerning the implementation of a limited number of standard products marketed through auctions before 31 March?*

Yes. We recognise the need for a limited number of standard products and would encourage storage operators to share their ideas with stakeholders in advance about the possible design of such products.

*Question 4: Are you in favour of the proposal to leave the operators the possibility to change the marketable capacities associated with different standard products between rounds of auctions, without modifying the characteristics of these products?*

**RWE Supply & Trading GmbH**  
Swindon Branch

Windmill Hill Business Park  
Whitehill Way  
Swindon SN5 6PB  
United Kingdom

T +44(0)1793/87 77 77  
F +44(0)1793/89 25 25  
I www.rwe.com

Registered No. BR 7373

VAT Registration No.  
GB 524 921354

Supervisory Board:  
Peter Terium  
(Chairman)

Board of Directors:  
Dr Markus Krebber (CEO)  
Peter Krembel  
Alan Robinson  
Andree Stracke

Head Office:  
Essen, Germany  
Registered at:  
Local District Court, Essen  
Registered No.  
HR B 14327

Bank details:  
Deutsche Bank Essen  
Bank Code 360 700 50  
Account No. 105 127 500  
SWIFT: DEUTDEDE  
IBAN: DE05 3607 0050 0105  
1275 00

Yes. However, storage operators should also offer a minimum volume of each standard product in the first auction, prior to any redistribution of unsold volumes from one standard product to another. Such minimum volumes should be discussed with stakeholders in advance (see also our response to question 3).

*Question 5: Are you in favour of CRE's proposal to leave the storage operators free to define the characteristics of their products, for capacities limited to 10 % of their total capacities before 31 March?*

No. To the extent there is sufficient headroom between the total amount of capacity available and the ex-ante defined amount of capacity necessary to “guarantee” security of supply to end customers in cold spells, a higher limit (e.g. 30%) should apply to the amount of capacity storage operators are entitled to offer through non-standard products.

*Question 6: In the case that the level of subscriptions necessary for the security of supply is reached, are you in favour of the CRE's proposal to leave the storage operators free to define their products after 31 March?*

No. To the extent the level of subscriptions necessary for security of supply is reached prior to 31<sup>st</sup> March, storage operators should be allowed to offer non-standard products up to the defined limit straight away.

*Question 7: In the case that the level of subscriptions necessary for the security of supply is not reached, are you in favour of the operators reserving part of the capacities in the form of standard products up to the limit of the additional capacities required to reach this level of subscriptions necessary for the security of supply after 31 March?*

Yes.

*Question 8: For the remaining available capacities, are you in favour of CRE's proposal to leave the storage operators to freely define their products after 31 March?*

No. See our response to question 6.

*Question 9: Are you in favour of CRE's proposal relating to the marketing of multi-year capacities?*

Yes.

*Question 10: Do you share CRE's preference for the marketing of standard storage products in batches?*

Yes, but see also our response to question 4 regarding minimum volumes.

*Question 11: Are you in favour of the rules for the creation of batches proposed by CRE?*

In general yes. However, storage operators should share their views with stakeholders about the liquidity of the market and the indicative batch sizes that may be appropriate under such conditions at the same time as sharing views on standard product design (see our response to question 3).

*Question 12: Are you in favour of CRE's proposal to standardise the auction schedules between the storage operators?*

Yes.

*Question 13: Do you agree with CRE's preference for an auction sale at the same price for all of the players, known as "pay as cleared"?*

Yes.

*Question 14: Do you agree with CRE's preference for an auction based on a quantity/price curve submitted by each participant, known as price-fixing?*

No. At this stage we doubt it is practical for the majority shippers to efficiently submit quantity/price curves in single round auction. We prefer auctions based on multiple ascending bidding rounds within day and, whilst operationally more complex, we believe these would deliver a more efficient outcome. Any added operational complexity arising from the introduction of multiple ascending bidding rounds within day could possibly be overcome through the use of established storage allocation exchanges, such as store-x.

*Question 15: Do you agree with CRE's analysis concerning the indexing of requests on the summer/winter spread?*

Yes. At this stage auctioning capacity indexed to the summer/winter spread is not practical, but such an option should not be discounted in future.

*Question 16: Are you in favour of the CRE's proposal consisting of publicising the methodology of the reserve price but keeping the reserve price confidential prior to the auctions?*

No. We believe the reserve price should be published in advance of each batch of standard products that are offered. As obligated shippers do not necessarily have full commercial freedom whether to book capacity or not the price they are prepared to pay will not necessarily be a purely commercial judgement. So expecting them to bid blind, even on a pay as cleared basis, is not appropriate. Instead, the reserve price should be published in advance to inform their bidding strategies, as this will lead to a more efficient outcome.

*Question 17: Do you have any comments?*

As well as not necessarily having full commercial freedom whether to book capacity or not, obligated shippers will not have full commercial freedom about how they use any capacity they acquire through standard products, due to the obligations to keep certain levels of gas in store during the winter period. Such obligations represent a significant market inefficiency and could, perversely, contribute to false scarcity and price spikes (as has been seen in Italy from time to time). As such they should be regularly reviewed and progressively reduced, or removed entirely, as confidence in the market's ability to efficiently balance demand and supply even in extreme circumstances grows.

Yours faithfully,



Steve Rose  
Head of Gas Market Design & Regulation  
RWE Supply & Trading GmbH



Konrad Keyserlingk  
Senior Expert Regulatory Affairs  
RWE Supply & Trading GmbH

enclosure