



Dear Madam, Sir

## **Gazprom Marketing & Trading Limited Response to Public Consultation by the Energy Regulatory Commission on conditions for access to gas transmission networks for gas intensive consumers**

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:*** *Are you in favour of the option to contractually affiliate to the North PEG natural gas intensive plants situated in the South of France?*

No, GM&T Ltd does not support this solution. GM&T Ltd believes this solution could be detrimental to the good functioning of the French gas market.

Firstly, this provision would affect negatively liquidity at PEG South. Removing large consumption sites from the south balancing zones could be seen by the market as knelling the bell of the development of the south markets. In fact, liquidity must be, a minima, maintained in the French gas markets in order to operate efficiently as there is still a long way to go before the desirable merger of the market zones. Taking such a decision will expose the French market to an important delay in terms of development compared to adjacent countries.

Secondly, large industrials are an integrated part of a market. Removing large customers from the south balancing zones are likely to have a detrimental impact on the ability for smaller customers (e.g. customers that could fall under the intensive gas consumers status but located on the distribution network) to benefit from competitive gas prices. Indeed, the presence of large and small end users allows suppliers to have balanced portfolios and more competitive prices also for smaller customers. This will not be achievable under the proposed option.

Thirdly, this mechanism will inevitably materialise through regulatory difficulties and complexities while there is little time before the allocation of the related capacity products. A full and robust framework would need to be put in place in a short amount of time with regards to nominations, capacity available and not used, etc... The French market already suffered last year from an unstable regulatory framework for the allocation of North-South capacity. It is hardly understandable to consider now another new and complicated process that prevents shippers from the visibility they need to operate.

**Gazprom Marketing & Trading Limited**

20 Triton Street

London NW1 3BF

United Kingdom

[www.gazprom-mt.com](http://www.gazprom-mt.com)

Finally, the release of an additional 40 GWh/d of North-South capacity is not confirmed and the additional regulation required to define better the status of gas intensive consumers is still unknown. Again, it looks impossible to achieve an efficient allocation of the capacity at the North-South Link in such conditions.

As a conclusion, this option could not be realistically retained.

***Question 2: Do you have any comments on the planned implementation methods for this first option?***

Considering the high level of uncertainty surrounding the proposed method, even in the memorandum of consultation, GM&T Ltd believes that it is not possible to provide a valuable advice on the practical implementation of such a solution. This solution should have been proposed and discussed as a part of Concertation Gaz and it is unfortunate to observe that again this process, which has been successful in the past and which continues to be successful on other topics, is flouted.

***Question 3: Are you in favour of the option of priority allocation of North-South Link capacity for large natural gas intensive plants situated in the south of France?***

No, GM&T Ltd is not in favour of the option as expressed in our response to Question 4 of the previous public consultation in the allocation of North-South capacity. However, this solution looks more realistic and has less drawbacks than the first option.

***Question 4: Do you have any comments on the planned implementation methods for this first option?***

Similarity to the response to the previous public consultation, GM&T Ltd believes that a minimum requirements for the implementation of such an allocation process, mixing pro-rata in a first phase and auctions in a second phase, should be at least be accompanied by additional rules to regulate the behaviour of players allocated with capacity at a regulated price compared to those that will probably pay a premium. This will prevent opportunistic behaviours that may have a negative influence on the well-functioning of the market. As an example, shippers allocated at a regulated price should be prevented to sell back the capacity at a premium on the secondary market or by any other means. The case of pure retailers active between the hubs and the customers will also have to be looked at carefully.

For any additional details on the above elements, please feel free to contact Maxime Bourgeon, Regulatory Affairs Analyst on +33 1 42 99 73 73 or at [maxime.bourgeon@gazprom-mt.com](mailto:maxime.bourgeon@gazprom-mt.com)