



CRE
15, rue Pasquier
75008 Paris
FRANCE

23 April 2012

Dear Madam, Sir

Gazprom Marketing & Trading Limited Response to CRE Consultation on the creation of a single North Balancing zone for H-Cal and L-Cal gas on GRTgaz network.

GM&T Ltd 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 trader and marketer of gas at various points in Europe, and especially in France. Therefore, it has a keen interest in ensuring a workable French gas market, and especially in the North balancing zone.

Question 1: Are you in favor of the principles for the creation of a single North balancing zone?

First of all, **GM&T Ltd strongly support the creation of a single North balancing zone.** Such a measure should dramatically improve the access to end-users in the L-Cal zone, as well as simplifying operations in the zone, which should ultimately benefit to customers.

Regarding the general provisions enumerated in the memorandum of the consultation, GM&T Ltd:

- **Agrees** with the proposition to see imbalances calculated at the level of the future unique balancing zone. It will be much simpler to keep the balance of the zone
- **Agrees** with the proposition to create a single PEG in the North zone, which should benefit to the whole community of shippers through increased liquidity.
- **Agrees** on the removal of the H to L base conversion service for shippers and the socialisation of the costs for GRTgaz in the use of this service for the physical balancing of the L-Cal network.
- **Agrees** that GRTgaz should continue to commercialise L-Cal infrastructures capacity
- **Agrees** to limit the access to the L to H conversion service to shippers with capacity at Taisnières B

Overall, **GM&T Ltd agrees on the principles of a merger of the North balancing zones.**

Question 2: Are you in favor of the proposed measures to ensure that L-Cal infrastructures are used by shippers for the physical balance of the zone?

Considering that the conversion capacity is limited and will not meet the overall demand in the L-Cal zone, there is a need to incentivize shippers holding upstream capacity to ship gas in the physical L-Cal zone.

GM&T Ltd agrees with GRTgaz's proposal to charge ex-post a fee to shippers that have been flowing excess gas in the zone. A tolerance should be applied to take into consideration errors in the consumption forecast. However, this tolerance should be set so that shippers are incentivized enough to produce the best forecast possible, and don't rely only on the tolerance for the supply of the zone.

Moreover, the above mechanism will work in case of excess L-Cal gas in the zone. **But the case of undersupply should also be dealt with.**

However, GM&T Ltd doesn't agree with compulsory renominations from GRTgaz in the framework proposed by the Memorandum. This mechanism should be of last resort and needs additional description of the conditions for its start. The CRE should bind GRTgaz to start quickly discussions on these details so that the merger could intervene on April 1st 2013.

GRTgaz will use the conversion service proposed by GDF SUEZ to convert H-gas from shippers with no entry capacity in the L-Cal zone. **However, shippers granted with entry capacity should be incentivized to use it as the first solution for the supply of their portfolio** and not be relying on GRTgaz to balance their position. Other shippers would end up paying the balancing bill through the unnecessary use of the conversion service, which is not acceptable.

Finally, GRTgaz should design additional mechanisms to ensure that the supply of the portfolio of a shipper granted with upstream capacity is ensured in priority via the entry points in the zone. It would release the necessity for GRTgaz to ask for renomination (which should be kept as a last resort mechanism) and incentivize shippers to use their capacity.

Question 3: Are you in favor of the creation of a selection process for the conversion of H to L gas as well as the proposed calendar?

GM&T Ltd is in favor of the proposal to create a competitive process for the conversion of H to L gas. However, GRTgaz doesn't understand why such a tender could not take place before 2015, especially if a shipper is able to propose a cheaper service than the conversion.

I hope you find these comments useful. If you have any queries please do not hesitate to contact Maxime Bourgeon, our Regulatory Affairs Analyst based in Paris, at +33 1 42 99 73 73 or at maxime.bourgeon@gazprom-mt.com.

Yours sincerely,

Alex Barnes

**Head of Regulatory Affairs
Gazprom Marketing & Trading.**

T: +44 (0)20 7756 0301
E: alex.barnes@gazprom-mt.com

Unsigned as sent by e-mail.

Gazprom Marketing & Trading Limited
20 Triton Street
London NW1 3BF
United Kingdom
www.gazprom-mt.com