



Dear Madam, Sir

Gazprom Marketing & Trading Limited response to Public Consultation the evolution of balancing rules on the gas transmission system on 1st April and 1st October 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: *Are you in favour of the principles proposed by TSOs for the target balancing regime from 1st October 2015 with the removal of tolerances and the sharp decrease in the balancing premium/discount applied to the average price of imbalance?*

GM&T Ltd has always conditioned its agreement over a removal of the balancing tolerances to a decrease in settlement prices and an increase in the number and quality of information provided. Given that the target balancing regime includes sufficient provisions on these two topics, GM&T Ltd believes it is now possible to proceed with the implementation of the target balancing model.

However, quality of information is still lacking overall. Therefore, GM&T Ltd urges TSOs to undertake additional efforts on the quality of metering information, especially for customers directly connected to the transmission network. The creation of a mechanism consisting in refunding the imbalance charges occurred by incorrect metering information shall be seriously considered.

Therefore, GM&T Ltd is in favour of the introduction of a target balancing regime in France as described in the consultation documents.

Question 2: *Are you in favour of GRTgaz proposal with regard to a premium/discount level fixed at +/- 2.5% in the Nord balancing zone?*

GM&T Ltd believes that the proposed level of the premium/discount to be applied on the average price to compute the marginal price in GRTgaz North balancing zone is appropriate.

However, GM&T Ltd believe that the level of the premium/discount shall be re-examined often enough, analysing the impacts it has on the market and on shipper's balancing costs.

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On a general note, GM&T Ltd would like to stress the need to quickly define such premium/discounts and change it as little as possible, in order to allow shippers to price correctly balancing premiums in retail offers.

Question 3: *Are you in favour of GRTgaz's and TIGF's proposal regarding a premium/discount level at +/- 0.1 €/MWh in the GRTgaz South and TIGF or do you consider, similarly to CRE, that this level is insufficient?*

It is difficult to define an appropriate level for the premium/discount in the South balancing zone, but GM&T Ltd believes that the market conditions there justify a different treatment than in GRTgaz North balancing zone. This is mainly due to the difficulties faced by shippers for accessing the south balancing zones but also the lower level of liquidity of PEG South compared to PEG Nord.

Therefore, GM&T Ltd would support the TSOs proposal to use 0.1€/MWh as the premium/discount at PEG South.

This level should be reassessed on 01/10/2015 in case this has led to substantial changes in the shipper's behaviour with regard to balancing.

Question 4: *Are you in favour of the use of the forecasted EOD linepack indicator proposed by GRTgaz and TIGF?*

GM&T Ltd is in favour of the use of the forecasted EOD linepack indicator as the main indicator to trigger TSOs market intervention. Indeed, it goes in the right direction in terms of transparency of TSOs management of balancing.

However, GM&T would like to underline the need to reinforce the accuracy of this indicator, especially in the beginning of the gas day or on D-1 in order to avoid discrepancies in the TSOs interventions.

Question 5: *Are you in favour of the market intervention rules proposed by GRTgaz and TIGF for their balancing needs?*

On the intervention windows:

GM&T Ltd welcomes the creation of additional intervention windows for TSOs, covering a wider spectrum of times during the gas day and therefore allowing TSOs to modulate their intervention along the day. In addition, the presence of the TSOs during time windows outside of working hours shall have a positive impact on liquidity at these times.

However, GM&T Ltd believes that the switch to an intervention model where TSOs could go on the market at any moment shall be considered as the target model. Therefore, GM&T Ltd considers the 5 windows as a step towards continuous interventions by TSOs in the market.

In addition, GM&T Ltd believes that, despite a lower need for such intervention rules, TIGF shall align with GRTgaz intervention strategy in order to keep consistency between TSOs.

On the calculation of balancing prices:

The question raised on the calculation of the average price under the extended trading hours is indeed an important issue which relates to a key principle of balancing: the reflectiveness of balancing prices.

In general, GM&T Ltd recommends taking into consideration all trades performed on the WD market to calculate the average prices.

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However, considering the current lack of liquidity outside of traditional trading hours, GM&T Ltd would agree, for an interim period from April to October, to calculate the average price over the period (08h30 – 18h). Before 01/10/2015, market data shall be collected and analysed in order to gauge the risk to see deviations in the average price. Based on such information and in the light of the development of liquidity in the near future, a decision would be taken by CRE, TSOs and market participants on the extension of the average price calculation to the whole gas day or not.

GM&T Ltd is not against the incentive mechanism proposed by CRE in order to incentivise TSOs to limit trades which substantially deviate from the average price of balancing. However, GM&T Ltd believes that this indicator will be difficult to manage for TSOs. In a situation when it needs to intervene, the current limited liquidity outside of traditional trading hours may result in few counterparts available to trade and TSOs becoming “price takers” with no other choices than dealing with a counterpart. In such cases, the TSO would be unfairly penalised and would then avoid intervening outside of trading hours, thus failing to create liquidity at these times.

As a consequence, GM&T Ltd would not support this proposal from CRE.

Question 6: *Are you in favour of a unique marginal price for imbalances in TIGF and GRTgaz South balancing zone?*

GM&T Ltd is in favour of the proposal to have a common balancing price for both sub-zones in the Large South balancing zone to be created from 01/04/2015. The arguments advanced by TIGF to keep a different price are irrelevant in a shipper's perspective who will balance its portfolio at the level of the wide south balancing zone, independently from the situation in each zone.

Question 7: *Are you in favour of the removal of the SEJ service under the target balancing regime?*

GM&T Ltd is in favour of the removal of the SEJ under the target balancing regime. Indeed, GM&T agrees with the analysis performed by CRE on its incompatibility with the provisions set in the Network Code on Balancing.

Question 8: *Do you share the analyses made by TSOs on the situation of the market?*

Overall, GM&T Ltd is in line with the analysis on the market conditions performed by TSOs and CRE:

- Liquidity on short-term markets are satisfactory at PEG Nord and PEG Sud, whilst being clearly lower at PEG Sud
- Access to gas is possible through the multiplicity of interconnections, except for the South zone
- Information are made available to shippers to balance their portfolio

Whilst tolerances are not necessarily justified, GM&T Ltd believes that the work currently undertaken in *Concertation Gaz* on various arrangements specific to the South zone (or not) shall be continued. Indeed, in case the situation in the South goes wrong as a result of the provisions put in place on 01/04/2015, there will be solutions ready to change the situation.

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Question 9: *Are you in favour of the proposals made by GRTgaz and TIGF regarding the anticipated introduction of the target balancing regime with no balancing tolerances, a small level of premium/discount, the maintaining of the SEJ and of optional tolerances to the 1st October 2015?*

Therefore, GM&T is in favour of a transitional period between 01/04/2015 and 01/10/2015 where tolerances cease and settlement prices are reduced whilst additional tolerances and SEJ continue to exist.

Question 10: *Are you in favour of the reset of the balancing neutrality according to the volumes delivered?*

GM&T Ltd agrees with the principle of a redistribution of the amounts collected in the balancing neutrality account according to the volumes delivered instead of the delivery capacity.

Question 11: *Do you want to see the reset of the balancing neutrality account based on an alternative methodology in order, for example, to compensate the structural difficulties borne by certain shippers to balance their portfolio?*

Based on GRTgaz's work on the identification of imbalances and imbalances costs during *Concertation Gaz* sessions, it seems that 2 elements could justify an alternative redistribution technique for the balancing neutrality account:

- The size of the portfolio considering a large portfolio will have more merging opportunities than a small portfolio. Smaller portfolio should therefore be considered differently
- The forecasting errors for Non-Daily metered profiles which are hardly compensated by the publication of the k0 due to the low accuracy of this indicator

At this stage, there is no proposal mature enough to decide on a different methodology than the simple volume-based repartition considered.

However, more work on such aspects would be welcome in order to propose an alternative redistribution at a later stage and preferably before the 01/10/2015.