



Madame, Monsieur,

**Gazprom Marketing & Trading Limited response to CRE public consultation on the evolution of the balancing rules for the gas transmission networks as of 1st October 2015**

***Question 1:*** *Are you in favour of the implementation by the TSOs of these linepack flexibility services?*

GM&T is favourable to the introduction of a linepack flexibility service along the lines of the proposal made by TSOs.

***Question 2:*** *Should clearing be based on the average of the average daily prices of the month or do you consider that clearing weighted by the imbalance of each day preferable?*

GM&T agrees with CRE's approach for resetting to zero the gas volumes "stored" by the TSO in the framework of this mechanism.

***Question 3 :*** *Are you in favour of the eligibility criteria proposed by the TSOs ?*

GM&T believes the criterion of not having TSOs going on the market for balancing purposes is appropriate. Indeed, such a mechanism should not be used by shippers to get out of its balancing responsibilities on days of tension on the network. It is essential that the incentives provided by the balancing mechanism are safeguarded.

With regard to the role of storage, GM&T believe that if the use of storage is to be considered as a market action interrupting the flexibility service, then all details related to its use shall be published and made transparent to the market. Otherwise, it could not be used as a reason for interrupting the service.

However, GM&T would like to remind that the quality of the end-of-day linepack indicator used to trigger balancing interventions is quite poor so far. Therefore, GM&T urges TSOs to improve the reliability of this indicator given its growing importance in the functioning of the market.

***Question 4 :*** *What do you think of interruptions specific to each balancing zone, in particular between the TIGF and GRTgaz Sud zone?*

GM&T supports CRE's analysis on the interruption on the service in the south of France.

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**Question 5** : *Do you agree with the terms and conditions for subscription to the service proposed by the TSOs ?*

The terms and conditions for the subscription and cancellation of the service are acceptable.

**Question 6** : *Do you agree with integrating the clearance of the service into the balancing financial neutrality account*

GM&T agrees on integrating the clearing of this service into the balancing financial neutrality account. However, GM&T would like that each single component of this account, including the flexibility service, to be explicitly detailed in the neutrality account.

**Question 7** : *do you agree with the pricing system proposed by the TSOs ?*

GM&T disagrees with the pricing principle of the service.

If proposed, such service shall be solely based on the costs borne by TSOs to provide it. Any other consideration make the pricing by TSOs weak, especially given the lack of a detailed analysis on the calculation ending up to the values submitted.

Therefore, GM&T would like the pricing to be reviewed integrating only the costs borne by TSOs and not the "value" of the service for shippers as estimated by TSOs. This should also be the subject of a presentation from TSOs in the framework of Concertation Gaz.

**Question 8** : *are you in favour of an experiment to study the effectiveness of the use of locational products?*

GM&T agrees on launching locational products in an experimentation period to see whether such set up is beneficial to the market and reduces the costs of balancing for the TSOs.

GM&T also supports CRE's view on the content on the feedback which will be made by GRTgaz on the use of such locational products. In addition to CRE's list of elements to be presented, a detailed analysis of the value of the system compared to the current storage contract is also needed.

**Question 9** : *Do you agree with the criteria for the launch, participation and functioning of the call for tenders proposed by GRTgaz?*

In general, GM&T agrees with the terms of the call for tender proposed in the consultation.

However, it might be that, in case of tension on the network, shippers find it hard to look at the available flexibility in their portfolio and to price it sharply enough within 30 minutes to place a bid. Therefore, TSOs should look at the possibility to give shippers 45 minutes or 1 hour to submit their bids.

**Question 10** : *do you agree with the verifications and the penalties established by GRTgaz?*

GM&T agrees in principle with the proposed verifications and penalties mentioned in the consultation memorandum.

**Question 11** : *Do you agree with the integration of locational products into the financial neutrality account under balancing during the experimentation?*

GM&T agrees to include the trading of locational products in the financial neutrality account.

**Question 12**: *Do you agree with the integration, ultimately, of locational products in the calculation of the marginal price for imbalance settlement?*

GM&T agrees with GRTgaz and CRE's opinion that the price of locational products shall not be included in the calculation of marginal balancing prices during the experimentation phase. It shall be one of the experiment's objectives to seize whether it is acceptable or not to include locational products in the calculation of marginal balancing prices.

In general, GM&T is not in favour of the integration of such prices in the calculation of balancing prices. Pricing and trading locational products is very different from trading title products. The prices arising from such tenders could be very different from where Within-Day title products have been trading. This is especially the case given that these will trade after the trading day where flexibility margins for traders having optimised their portfolio are usually limited.

As a consequence, GM&T would like this question to be subject to consultation next year when deciding whether to allow GRTgaz to deal locational products or not.

**Question 13**: *Do you agree with the opening by GRTgaz of a window for balancing at 7:25 a.m. for Within-Day products? Do you agree with the opening by GRTgaz of a window for balancing at 2:25 p.m. for Within-Day products and at 11:25 a.m. for day-ahead products?*

GM&T always defended the opportunity for TSOs to trade at any point in the gas day for its balancing needs. In that sense, the two proposed within-day intervention windows are acceptable. However, the proposed day-ahead window would indeed be a step backwards and should not be agreed by CRE.

**Question 14**: *Do you agree with the development of the arrangements for clearing the neutrality account proposed by GRTgaz?*

GM&T does not have objections to this proposal.