



Gazprom Marketing & Trading Limited Response to Public Consultation of the French Energy Regulatory Commission regarding the marketing of transmission capacities between the GRTgaz North and South zones

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 trader 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: *No delays are currently expected in the implementing the merger of the zones. Do you nevertheless believe that it would be desirable to market capacities at the North-South connection point after September 2018?*

Yes, GM&T Ltd believes it would be wise to commercialise North-South capacity for GY18 during the next auctions for annual capacity.

Even though there are currently no delays in the merger of the zones, this event is supposed to take place on 01/11/2018, which leaves October 2015 with no capacity marketed. As a consequence, capacity including October 2015 shall be proposed as soon as possible during the annual auctions.

In addition, the merger is still subject to delays and the date of 01/11/2018 is not guaranteed. As a responsible supplier operating on the French market, we believe that the capacity between the zones shall be allocated for GY18 anyways in order for suppliers to limit the risks associated to such delays.

Question 2: *Are you in favour of the marketing of calendar for annual capacities at the North-South link as envisaged by GRTgaz or do you prefer the solution designed to smooth the sales of annual capacities over three years?*

GM&T Ltd is in favour of CRE's proposal for the marketing of the capacity.

Indeed, this calendar leaves room for suppliers to adapt to the changing market conditions between the PEG Nord and TRS whilst GRTgaz's proposal leaves the positions of market players fixed for an extended period of time.

Question 3: *Are you in favour of GRTgaz's proposal to only trigger the sale of interruptible capacities if at least 95% of the firm capacities made available for sale have been subscribed?*

GM&T believes that interruptible capacity shall be marketed fully without having such restriction related to the sales of firm capacity. There is no provision in CAM preventing this sale interruptible capacity to happen.

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There is a substantial amount of interruptible capacity available at the North-South Link. Not having such capacity commercialised would be detrimental to the market, through lower liquidity at TRS or if market conditions change in the South of France. This is especially true if it is decided that interruptible capacity would not be marketed at all after the auctions for annual capacity.

In case CRE believes it is worth maintaining a minimum level of firm capacity sales before triggering the sale of interruptible, then this threshold shall be decreased at 95% maximum. But the risk to see no interruptible capacity marketed is real and again would be detrimental to the market

Question 4: *Are you in favour of GRTgaz's proposal to no longer market quarterly and monthly interruptible capacities at the North-South link?*

The priority set out in the NC CAM would indeed reduce drastically the value of interruptible capacity at the Link for lower maturity products.

However, in case the proposal of question 3 is accepted, it could be necessary to market interruptible capacity to satisfy the market appetite for flowing gas in TRS. In such case, not having the possibility to propose interruptible capacity would again be detrimental to the good functioning of the market.

Therefore, GM&T believes that this proposal is acceptable only in case interruptible capacity has been offered in auctions for annual capacity. If interruptible capacity is not offered in annual auctions and that firm capacity is largely sold, then quarterly interruptible capacity shall be offered.

Question 5: *Are you in favour of maintaining the marketing mechanism for daily capacities that has been in place since 8th October 2015?*

Yes, this marketing mechanism seems to deliver good results and should be kept.

Question 6: *Would you like the marketing channels for short term capacities to be streamlined? If you would, are you in favour, like the CRE, of option 1 "Pathway towards merger", or of option 2 "100% PRISMA"?*

Ideally, the best solution would be to decrease the reserve price of the north-South capacity down to zero and allocate all the unsold DA capacity through PRISMA. This would allow the capacity price to reflect market conditions (similar to market coupling) and allow for a fully transparent marketing of the capacity on the EU platform. This is the best solution for the French market in our perspective. This is an option which shall be discussed in the framework of ATRT6.

At the moment, it seems that the "Pathway towards the merger" is the most sensible alternative under the current market conditions with a market spread between the zones below the reserve price of capacity. This option would allow selling the capacity at market price and helping the convergence of market prices in France. But this solution shall only apply for next gas year and not until the merger, so as to allow for the alternative expressed above.

Question 7: *Are you in favour of continuing with JTS in 2016 and until the creation of a single market area in 2018?*

Yes, the JTS provides additional capacity at the North-South Link. Decreasing the amount of capacity made available could have an upward impact on TRS prices as well as decreasing the liquidity on the Day-Ahead and Within-Day market.

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