Dear Sir/Madam,

We write this letter as a response to your consultation\(^1\) on whether to propose an amendment of the EU CAM and Balancing Network Codes so as to preserve GB and Irish gas day.

Gazprom Marketing & Trading (GM&T) is a wholly-owned subsidiary of the Gazprom group of companies, with headquarters located in London. GM&T’s gas trading, portfolio and origination business operates in all major European gas hubs, including NBP, TTF, ZEE and ZTP.

As a growing player in gas hubs in the region since 1999, GM&T has the experienced operating in different countries with different rules, booking and charging systems, balancing mechanisms and gas days. GM&T has witnessed the development of gas hubs across Europe, through the establishing of the Internal Energy Market (IEM), and encourages the expansion of the IEM both geographically and in depth, through the full implementation of all network codes. We are impacted (positively or negatively) by any new rules affecting the market, but believe that EU rules, overall, (including network codes) have and will continue to benefit wholesale markets and consumers.

In this sense, it is known that IUK flows follow market signals between Belgium and the UK, and have contributed to the elimination of spread differences between the two countries, once you take into consideration transportation costs. This last fact demonstrates how different gas days across the North Sea have not hindered the development of cross-border trade. If anything, NBP, TTF and ZEE are together the most liquid markets in Europe and a model for other gas to emulate.

We do not believe that changing the gas day will improve trade between Belgium and Great Britain because we do not believe trading can improve much further. One additional reason for the gas day not being an issue today is that both GB and IUK offer within-day flexibility. The current system does not affect our balancing operations because the NBP is synced to all its entry points: interconnectors, LNG, storage and UKCS.

GM&T would agree with a change of the gas day, if there were clear signs the status quo is acting as an obstacle to liquidity, but this is not the case. In fact, we believe the changing of the gas day to be an unnecessary and costly tweak to a market that is already proven to be functioning, and whose costs do not justify the benefits. Such costs will have to be paid for by somebody and we do not believe shippers or the consumer will benefit from this.

The costs of adapting to the new system are considered high from our budgetary standards. Minimum IT costs alone are over £XXXXXX, but we too expect legal/contractual matters on top to increase our total costs. GM&T believes UKCS operators’ claims regarding their problems and delays in adapting to the new

\(^{1}\) PC_2015_G_01
day, and is highly concerned by the uncertainty this is creating. Upstream systems may be old, but they are fine-tuned to the existing GB system and we wonder what the operational gains are by having conflicting gas days at our terminals.

Furthermore, the scaling process in Option A, currently being developed, is imperfect and shippers will not be certain of their allocations until D+1, which could result in shipper imbalances. Such mismatches cannot be predicted and thus hedged against, and will ultimately increase the risk-premium associated to UKCS gas, which is detrimental to downstream liquidity. Although, in most days these mismatched volumes will be small, we cannot exclude the possibility of highly volatile days where costs would be high. Ultimately, even though these volumes cannot be quantified, it cannot be disputed that there will be some negative impact in the gas market.

In conclusion, we believe that the new gas day will be a costly and, more importantly, unnecessary change that brings no benefits to an already fully-functioning market. We will support ACER if it chooses to table to the European Commission an amendment to the Network Codes.

Happy to discuss,

Gazprom Marketing & Trading Limited
20 Triton Street
London NW1 3BF