

To the Attention of :  
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Dear Mrs. Cosac,

GDF SUEZ is pleased to answer to the Open Letter of OFGEM published on the 12<sup>th</sup> of March 2013, regarding the Next Steps for GB's implementation of the CMP network code and overall guidelines for gas regulation.

As a responsible shipper on the GB's network and the GB interconnectors, GDF SUEZ is keen to strictly and swiftly enforce any validated regulation such as CMP network code. We only propose two remarks to make possible a smooth and possible implementation, in line with both the code rules and objectives.

We also allowed ourselves to make comments on CAM code, that is still in discussion. Our objective is not here again to challenge any of the objectives set, but on the contrary to propose modifications that would greatly enhance the possibility to properly enforce this code in GB. Indeed, this discussion, which is clearly conducted at EU level, will have significant consequences on GB market, and with the current draft, we will face difficult times in implementing this text, with results that are to be contradictory with the objectives set for this regulation. Given the short time remaining before the code is finalized, this discussion will not significantly postpone implementation of the code, but could greatly enhance our collective ability to put in place the most efficient market design.

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### Mandatory bundling

The mechanism of mandatory bundling is about to be acted. Yet, the Interconnection Point of Bacton in the UK is a good example of a loss of optimisation consequent to generalized application of capacity bundling.

Indeed, it is possible for a shipper with a single capacity subscribed at Bacton on NG network to use it for IUK, BBL (or even SEAL for entry capacity). This flexibility will disappear, and will force the shippers to multiply their capacities in portfolio at Bacton.

Moreover, some shipper use their BBL and IUK capacity to ship gas directly from TTF to Zeebeach without entering National Grid (shorthaul). Here again, this would not be possible with the bundling, and the shippers will have to pay an entry and an exit at Bacton. Not only it will become a financial issue for shippers, but a physical issue for the network operators (TSOs). Indeed, the commercial capacities at Bacton must be sufficient in order to be bundled with all the interconnectors at Bacton in order to cope with the bundling mechanism which will create spare capacities and lack of efficiency.

OFGEM suggests that the bundling of capacity will mean the creation of "a single GB to neighbouring market" capacity. Two options of bundling the interconnectors could be considered :

- The first option would be to bundle capacities from at least three different TSOs (e.g. NG for NBP to Bacton, IUK for Bacton to IZT, Fluxys for IZT to ZeeBeach and possibly for ZeeBeach to ZTP) to go from NBP to the neighbour's market place.

Moreover, since many shippers do not have interconnectors capacities matching Bacton on one side, and Zeebeach or Julianadorp capacities on the other side, the mechanism of bundling will result in a lot of mismatched capacities, and consequently significant quantities of unbundled capacities hold by shippers that will not be able to find corresponding capacities on a relatively illiquid secondary capacity market. Till today, no rules have been defined yet by ENTSOG to cope with this issue. The best option in this case would be to let shippers surrender unbundled capacities.

- An alternative option would be to consider each interconnector as single market. It would be a bundle for instance of a NCG-BBL capacity and of a BBL-TTF capacity.

As Interconnectors are not specially tackled in the draft CAM code, OFGEM should first publicly consult the market before imposing any option.

Single nomination, which is required for giving any sense to bundled products, will further rise difficult implementation issues, as raised by the recent EFET letter.

Finally, GDF Suez repeats its opposition to mandatory bundling, and would rather have the TSOs propose bundled capacities aside with unbundled capacities wherever possible and particularly when asked by the market.

### Oversubscription & Buy Back

OFGEM states : "Therefore, we expect no restrictions on the volumes of available capacity being offered as oversubscription or any barriers to this capacity being sold to other users."

The fact that OFGEM do not restrict the volume of capacities being offered on an oversubscription basis is not acceptable as there should be strong limits to the risk taken by the TSOs. On the contrary, oversubscribed capacity should be limited to a capacity that is expected with strong probability to be available. As IUK has recently been nearly fully physically saturated during a not so exceptional cold spell, oversubscribed capacity on IUK could only be very limited.

Oversubscription is only a solution for contractual congestion, but is of no avail for physical congestion.

GDF SUEZ also assume that the deadline of the 27<sup>th</sup> March 2013 is clearly much too short to design a working CMP framework.