

Renewable Electricity
Ofgem,
9 Milibank,
London, SW1P 3GE

Sent by e-mail to: CCLandREGO@ofgem.gov.uk

06 January 2016

CCL and REGO Team

Open letter on proposed changes to the process for presenting GoOs to Ofgem after the removal of CCL exemption for renewables from 1 August 2015

Gazprom Marketing and Trading Limited ("GM&T") welcomes the opportunity to comment on Ofgem's proposed changes to the process for presenting Guarantees of Origin (GoOs). GM&T is a UK registered wholly-owned subsidiary of the Gazprom Group ("Gazprom") active in the marketing and trading of energy commodities worldwide including power, gas, oil, LNG and carbon allowances.

In the UK, GM&T is present in both the wholesale and the retail power markets and it has therefore an active interest in the accuracy, reliability and veracity of any GoOs presented and, in particular, as to the evidence of supply in GB of the electricity the GoOs refer to.

As stated in the open letter, until 1st August 2015 the presentation of LECs alongside GoOs was the clear evidence required for suppliers to show that electricity had been supplied in GB. Following the LEC changes we would appreciate if Ofgem could clarify the meaning of SLC 21.12 where a licensee may only rely on a GoO issued outside of Great Britain where, among other things *"it holds the evidence of that the electricity referred to in the guarantee of origin or generator declaration has been supplied in GB"*. More precisely, we believe market participants need to have more details and clarity about the specific set of requirements that they must meet in order to evidence that renewable electricity generated in Europe was both imported and supplied into the UK.

The evidence of supply in GB as described in the open letter on Ofgem's proposed changes for presenting GoO is not specific enough in our view. We believe that this will result in regulatory uncertainty that will act as a barrier to entry and consequently will undermine competition in the GoOs market. We believe that Ofgem should provide more clarity on this, for example, a comprehensive list of trading arrangement examples which are acceptable as a proof of supply on GB.

This list should include scenarios covering the different potential outcomes of the Ofgem's consultation on LECs and market coupling, namely:

GAZPROM MARKETING & TRADING LIMITED, REGENT'S PLACE, 20 TRITON STREET, LONDON, NW1 3BF, UK

T: +44 (0)20 7756 9428 E: RegulatoryAffairs@gazprom-mt.com www.gazprom-mt.com

- if electricity has been traded implicitly across coupled markets is acceptable as evidence of electricity is consumed in the UK;
- if explicit booking and nomination of interconnector capacity is acceptable as evidence of electricity is consumed in the UK.

It is also unclear if any particular proof of supply evidence types is preferred over another or whether Ofgem just require as much evidence as possible to be provided. We are concerned that this uncertainty over evidence requirements will also further complicate the auditor's ability to produce a robust report and assurance rating.

We recognise that different structures and potential trading arrangements across Europe, along with their current changes, may make difficult a precise and overarching definition of the above mentioned evidence. However, market participants which are involved in GoOs trading must be provided with more detail of the specific types of evidence that are acceptable as evidence of GB consumption of renewable electricity produced overseas for decision-making purposes.

We would welcome Ofgem confirming the new arrangements as soon as practicable. There will be a relatively short period for putting in place new audit arrangements with an appropriate auditor. While compiling the GoO spreadsheet is a highly manual task and there will be additional time pressure as in effect an earlier deadline for GoOs than 1st July will be in place so that the audit can take place and be submitted by the 1st July.

We are comfortable with the rest of the proposals as set out in Ofgem's open letter and would welcome to engage with Ofgem further once the new process will be finalised to discuss any potential improvements.

We hope the comments above prove helpful. Please do not hesitate to contact me on 020 7756 9428 or at mauricio.cepeda@gazprom-mt.com in the first instance should you have any questions.

Yours sincerely,

Mauricio Cepeda
Regulatory Affairs Advisor
Gazprom Marketing & Trading.

Unsigned as sent by e-mail.