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Non Confidential

Dana Paraschiv
Retail
Commission of Energy Regulation

Email: dparaschiv@cer.ie

28th October 2013

Dear Dana,

**Reference: Review of the Natural Gas Supply Licence
Due: 29th October 2013**

Gazprom Marketing & Trading Retail Limited ("***Gazprom Energy***") would like to thank you for the opportunity to respond to your consultation on the review of natural gas supply licences. We do not consider our response to be confidential and we are happy for our comments to be shared with other interested parties.

Gazprom Energy operates in the Irish Market as a non-domestic supplier to a small number of very large industrial customers. Gazprom Energy also operates in the UK non-domestic sector as a gas supplier and a gas shipper. In addition, we also operate in the UK non-domestic power market as an electricity supplier as well as having retail energy businesses in France, Germany and the Netherlands.

We welcome the timely review of the current license conditions in light of the major changes arising from the development of competition and the separation of Bord Gáis and proposed sale of its retail business.

Whilst we welcome the general thrust of the proposals we are concerned that spreading obligations across all market participants may introduce some unintended consequences and increase risk disproportionately and we wish to take this opportunity to highlight some general areas of concern.

We have concerns over the proposed universal **duty to offer supply** in the non-domestic sector may impact on suppliers who only offer products in a niche sector of the non-domestic market. We would therefore welcome further guidance on the proposed exemptions and in particular how "active markets" are defined to avoid undue burdens being placed on niche market participants.



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In addition the ability to universally examine charges and costs and if deemed necessary the **ability to mandate changes** to charges introduces a significant commercial risk to market participants. We would therefore like further clarity on the scope of such powers and when and how they might be enacted.

As with any change it is important that the introduction of new obligations do not act to create unnecessary obstacles which may prevent the entry of new market entrants or the ability for incumbents to develop complete in the existing market and develop new products and services.

We have set out our detailed responses to the individual questions set out in the consultation in the attached appendix. We hope you find our comments useful. Should you have any questions on or would like to meet to discuss our response, please don't hesitate to contact us.

Yours faithfully,

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Appendix 1: Consultation questions and Gazprom Energy responses

- 1. Respondents are invited to comment on the proposal that Condition 23 be removed, with full deregulation of the gas retail markets, from the natural gas supply licence. Are you in favour of this proposal? Outline reasons for agreement or disagreement.**

Purchasing of natural gas - We support the proposal subject to effective competition and commercial pressures being shown to be achieving the appropriate behaviour

- 2. Respondents are invited to comment on the proposal that Condition 24 be removed, upon full deregulation of the gas retail markets, from the natural gas supply licence. Are you in favour of this proposal? Outline reasons for agreement and disagreement**

Terms of supply to customers - We would offer qualified support for the proposal and we would seek clarification as to how any decision to reintroduce ex-ante price controls would be achieved and in particular which market participants would be affected by such a decision i.e. would it only be relevant to domestic market participants? And in addition would any threshold be applied to reduce the regulatory risk to new market entrants e.g. only applying to Suppliers with greater than [50,000] customers?

- 3. Respondents are invited to comment on the proposal that a licence condition be introduced in all natural gas supply licences to reflect suppliers' obligations to maintain regulatory accounts. Are you in favour of this proposal? Outline reasons for agreement or disagreement.**

Regulatory Accounts - As the obligation already exists, and has existed for some time, in the Gas (interim) (Regulation) Act 2004 as amended we do not see the benefit of duplicating the obligation in the licence.

- 4. Respondents are invited to comment on the proposal that Condition 26 be removed from the natural gas supply licence, where Bord Gáis Éireann's networks business is certified under the Full Ownership Unbundled provision of the 3rd Package. Are you in favour of this proposal? Outline reasons for agreement or disagreement**

Ring-fencing of the shipping and supply business and restriction on use of certain information - Subject to the network's business being certified under the full ownership unbundled provisions of the third package and the disposal of the supply business we agree that as a network only business should no longer be subject to the obligation.

5. Respondents are invited to comment on the proposal that Condition 27 be removed from the natural gas supply licence where the gas retail markets have been fully deregulated and the where Bord Gáis Éireann's networks companies have been certified as fully ownership unbundled. Are you in favour of this proposal? Outline reasons for agreement or disagreement.

Compliance Officer - As noted in our response to question 4 subject to meeting the criteria set out we agree that the condition could be removed.

6. Respondents are invited to comment on the proposal that Condition 28 be removed from the natural gas supply licence where Bord Gáis Éireann's networks companies have been certified as fully ownership unbundled. Are you in favour of this proposal? Outline reasons for agreement or disagreement.

Prohibition of Cross-Subsidisation - As noted in our response to question 4 subject to meeting the criteria set out we agree that the condition could be removed.

7. Respondents are invited to comment on the proposal to remove condition 29 of the natural gas supply licence when the market is fully deregulated. Are you in favour of this proposal? Outline reasons for agreement or disagreement.

Duty of Non-Discrimination - Having made the decision not to introduce a non-discrimination clause in the electricity retail markets it would seem inconsistent to introduce an obligation in the gas markets. We are therefore in favour of the proposal.

8. Respondents are invited to comment on the proposal that a duty to supply for domestic and I&C business customers should be introduced in all natural gas supply licences. Do you agree with the duty including both domestic and I&C customers? Do you agree that the current duty (which is not limited to domestic and I&C businesses) should remain with Bord Gáis Energy? Outline reasons for agreement or disagreement.

Duty to offer supply – As noted in our covering letter we currently only supply a small number of very large non-domestic customers in the industrial market. We would therefore seek guidance on the application of the obligation and in particular the definition of active in markets. As the definition of Industrial and Commercial in the clause relates to sites with a consumption level below 73,000 kWh we would seek confirmation that this is a distinct active market. We would also note, as set out in the consultation, that in the UK the obligation relates to a duty to supply only to domestic customers. As such we believe the obligation should relate solely to domestic customers.



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9. Respondents are invited to comment on the proposal to change the structure of the natural gas supply licence so it only has one section. Do you agree with this proposal? Do you agree that the additional licence obligation placed on the incumbent would only be included in the natural gas supply licence granted to them? Outline reasons for agreement or disagreement.

Change in the structure of the supply licence – We agree with the decision to change the structure of the licence and we support the proposal to publish any additional obligation placed on the incumbent.