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Consultation response of Gazprom Marketing & Trading Ltd. to the KOMBI procedure for the recognition of costs for market-based instruments as volatile costs: BK9-19/606

Dear Mrs Schimmel, dear Mr Foerster,

Gazprom Marketing & Trading (GM&T) is a UK registered wholly-owned subsidiary of the Gazprom Group active in the marketing and trading of energy commodities worldwide, including power, gas, oil, LNG and carbon allowances. In Germany, GM&T is particularly present in the supply and wholesale markets and it has therefore an active interest on the current discussion on the future establishment of the German market merger.

As previously shared with Ruling Chamber 7 on the Kap+ procedure (BK7-19-037), it is our belief that the German market merger offers the chance to achieve the establishment of an attractive and liquid trading hub for the benefit of both suppliers and end-consumers. In order to achieve this mutual goal, it is crucial that:

- (1) the right design of the facilitating market-based instruments (MBIs) is chosen; and
- (2) sufficient firm entry capacity needs to be made available to market participants.

As an active wholesale market trader, we believe that particularly the latter is a prerequisite for a functioning and liquid market. However, the published draft decision “KOMBI” proposes to recognize the costs for MBIs only as volatile costs for the period of the test-phase. From our understanding, this classification may create additional financial risks for transmission system

operators as the costs will negatively impact their efficiency benchmark. Consequently, it might disincentives TSOs to use MBIs to create sufficient firm entry capacity, which we are opposing.

Lastly, we would like to point once more to the study conducted by WECOM¹. The results show clearly that already today peak-demand cannot be covered by the available firm entry capacity. Consequently, a reduction of firm entry capacities in comparison to today's levels are unacceptable to us as it will decrease the attractiveness of Trading Hub Europe.

We hope the comments above prove helpful. Please do not hesitate to contact me on [REDACTED] or at [REDACTED] in the first instance should you have any questions.

Yours sincerely,

[REDACTED]

¹ Wagner, Elbing & Company (WECOM) Kurzstudie zur Analyse des FZK-Entrz-Bedarfs in Deutschland.
Link: <https://www.efet-d.org/Files/Veroffentlichungen%20-%20Gutachten/EFET-Kurzstudie%20FZK-Entry-Bedarf%20-%20Pr%C3%A4sentation%20Workshop%2016.09.2019.pdf>