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Industry Codes and Licensing
Ofgem
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London
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Sent by email to: flexibility@ofgem.gov.uk

Dear Chiara and Andrew,

Gazprom Marketing & Trading Limited (GM&T) joint response to:

- 1) consultation on proposal to clarifying the regulatory framework for electricity storage: licensing; and**
- 2) consultation on proposal to enable the competitive deployment of storage in flexible energy system: changes to the electricity distribution licence.**

GM&T is the UK registered wholly-owned subsidiary of Gazprom Group ("Gazprom"), responsible for the optimisation of Gazprom's energy commodity assets through GM&T's marketing and trading network. GM&T Ltd is also engaged in the Retail business through its subsidiary Gazprom Marketing & Trading Retail Ltd. In the UK, GM&T supplies over 100MWh of electricity storage and, therefore, has an active interest in the development of the storage licence arrangements.

1) Response to consultation on proposal to clarifying the regulatory framework for electricity storage: licensing

GM&T supports the proposal to include the definition of electricity storage in the electricity generation licence and agrees that generation and electricity storage should be treated equally in the GB regulatory framework.

Ofgem asks the industry to confirm whether including the addition of 'in a controllable manner' to the electricity storage definition would be appropriate. We agree with this proposal as it takes into consideration the ability of the battery to control the conversion (and reversion) from electric to chemical energy (and vice versa).

GM&T would like to ask Ofgem to provide more clarity on the points illustrated below.

Ofgem indicates that electricity storage would comply with the Grid Code or Distribution Code depending on the service provided (i.e. export to the Transmission Network or to the Distribution Network). In addition, electricity storage with capacity below 50 MW would not have to comply with

the BSC and CUSC unless it carries out activities in the wholesale electricity market. However, what this means for storage below 50 MW actively doing arbitrage in the electricity wholesale market is not explicit in the consultation. Thus, for instance, there is no reference to any trading charges or credit cover exposure for small electricity storage carrying activities in the electricity wholesale market. Further clarification is also needed as to which activities are considered as wholesale market activities.

Electricity storage providers with small capacity may have to face a complex and time-consuming registration process if compliance requirements are not well-defined. More clarity should be provided to make sure that small storage provider will not face obligations acting as a barrier to the development of this technology.

Condition E1

GM&T agrees that licenced storage should not be subject to Final Consumption Levies. However, the definition of 'primary function' needs to be clarified to avoid any potential misinterpretation by market participants leading to detrimental impacts on competition. GM&T also agrees that storage should act as a generator and, therefore, its main function must be exporting to the network. However, at this point, the consultation does not provide any indication on how this primary function will be effectively measured: how will Ofgem or the relevant TSO/DSOs measure generation and demand behind the meter? And, will any threshold on demand be implemented?

2) Response to consultation on proposal to enable the competitive deployment of storage in flexible energy system: changes to the electricity distribution licence

GM&T agrees with the proposal that Distribution Network Operators should not be allowed to own and operate storage due to the potential market distortion this would create. The new condition will promote competition in the electricity market and avoid potential conflict of interest which ensures Distribution Network Operators do act impartially. Therefore, GM&T is supportive of adding new conditions to the electricity distribution licence subject to the exceptions mentioned in the consultation, such as the use of electricity storage for time-limited emergency restoration and maintenance.

We hope the comments above prove helpful. Please do not hesitate to contact me on 020 7756 0080 or at giulia.barranu@gazprom-mt.com in the first instance should you have any questions.

Yours sincerely,

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