

Views on a Trading Platform

1. What, if any, do you consider the potential benefits of GNI participating in a Trading Platform to be?

There is the potential to reduce imbalance costs if GNI use the Trading Platform to facilitate the efficient operation of the system. The anonymity for GNI should provide for better prices however due to the small size of the market – it may be easy to identify GNI trades over a matter of time. GNI should issue the system position (long / short) real time. Each month, GNI should publish and itemise each balancing action, date, price achieved and cause of balancing action. This will help all parties better understand the cause and effect of actions and assist with reducing the balancing actions.

2. What, if any, do you consider the potential risks of GNI participating in a Trading Platform to be?

There is a real risk that there is no liquidity in the market and GNI end up paying inflated prices relative to the market.

Also, the fall back balancing contracts would be at a higher price than current figures as these balancing actions would be for the remnants that the market does not want.

Reliance on one 3rd party trading platform provider creates a monopoly situation for this provider. What stops them from significantly increasing their charges? What stops them from over charging for any amendments to the system?

It may lead to market manipulation by some shippers particularly due to the small size of the market.

It may lead to unnecessary balancing actions as shippers manipulate this market.

It increases GNI's counterparty credit risk.

How will GNI protect themselves against numerous actions being required during a day, such as morning balancing buys and evening balancing sells as was recently discussed at the EAI conference?

3. Are you aware of any party that is proposing to operate a Trading Platform at the IBP, which would satisfy the requirements of the Regulation?

N/A

4. If a Trading Platform is selected, it will be the exclusive mechanism of completing balancing actions (unless balancing services contracts are required to be used on a day, due to insufficient liquidity). Therefore, Shippers not participating in such a Trading Platform would be unable to act as a counterparty to a GNI balancing action. What are your views on this eventuality?

Reliance on one 3rd party trading platform provider creates a monopoly situation for this provider. What stops them from significantly increasing their charges? What stops them from over charging for any amendments to the system?

It also limits GNI's options to trade with shippers which ultimately reduces their competitiveness.

Views on a Balancing Platform

5. What, if any, do you consider the potential benefits of GNI participating in a Balancing Platform to be?

There is the potential to reduce imbalance risk if market operates properly.

GNI would have full control over the system.

GNI control which shippers participate on balancing platform.

6. What, if any, do you consider the potential risks of GNI participating in a Balancing Platform to be?

GNI lose their anonymity and therefore may lose some bargaining power leading to higher prices.

Views on Transitioning to a Platform

7. Is your preference for GNI to:

- a) move to a Trading Platform, as soon as possible, thereby initially bypassing TSO utilisation of a Balancing Platform?
- b) move to a Balancing Platform, as a first step, and then review its success or otherwise, before deciding whether to advance to participating in a Trading Platform?
 - o If this is your preference, what criteria should be evaluated to measure the success or otherwise of the Balancing Platform? For example, number of balancing actions successfully completed on the Platform, price achieved, need to revert to balancing services contracts, etc.

- c) engage in another course of action?

Move to a trading platform – why set up a balancing platform when the eventual intention is to move to a trading platform. This would then avoid unnecessary costs and time spent setting up what would only be an interim solution.

8. What types of credit arrangements should be put in place between GNI and a counterparty on either Platform (e.g. Parent Company Guarantee/Letters of Credit etc.)?

To ensure the best opportunity for the trading platform to succeed and ensure liquidity is available through the Platform, GNI need to recognise that Balancing Actions are sporadic and therefore requesting counterparties to provide and tie up capital with no guarantee of ever trading does not make sense and only results in reducing liquidity available to GNI and the success of the Platform itself. On this basis we would propose that a full suite of Credit options are available to Counterparties, this to include the traditional products of Parent Company Guarantees, Letters of Credit and should also include for example Margin Call's, provision of unsecured credit limit, Buy only option (i.e. GNI is the seller) with no credit required. Cash deposit, post day payment.

9. In conditions of insufficient liquidity on a Platform, what criteria should apply to determine when GNI should revert to the relevant balancing services contract on a given day?

It is important that a clear definition of what constitutes adequate liquidity is agreed by all be that a volume based or a transaction based definition to ensure market manipulation is avoided.

It is also essential that the definition includes the timing to which the balancing contract is reverted to above the Platform otherwise the opportunity to call on the services in the Balancing contract may have passed or be significantly reduced due to flow rates.

10. The following **Table** outlines a series of potential scenarios (A-F); these include GNI undertaking/not undertake balancing actions, and trades taking/not taking place on a Platform. In each blank cell, please insert details on the cashout price that you consider appropriate to apply in each scenario.

This is too soon to answer this question, further development of rules and regulations are required before setting prices.

11. Are there any additional comments/considerations that you wish to make, at this stage of the Balancing Arrangements consultation process? If yes, please elaborate.

There is a requirement for very robust regulations. Proper structures are required and clear transparency throughout. The disbursement account cannot be treated as a blank cheque and GNI need to be rewarded / penalised for good / bad trading.

Competent traders are a pre-requisite for GNI (historic accounts from the GB market highlight major errors from National Grid in operating balancing actions).

GNI should take a prudent approach and introduce cash out as a second step so to see how the market reacts initially as in low liquidity cash out prices could be manipulated.

An oversight committee representing all segments of the market should review initial operation of the new process to ensure the whole market is functioning appropriately.