



# Outline

- **Steps to the Project**
- **Powernext Balancing GRTgaz**
- **New liquidity factors**
- **Comparaison with the other markets**
- **Expectation of the market players**
- **Brief market model**

# 2007 Gas Study & 2008 Gas Exchange Project

- 2003 : A first gas study concluded that conditions were not met, in terms of transparency and market access.

- Second Market study in 2007:

- Powernext interviewed bilaterally 20 companies (retailers, producers, pure traders, CCGT operators...) to assess the potential of the French gas market and the interest of creating a gas exchange in France

- Based on these interviews and the analysis of the service proposed by other gas exchanges (ICE, Endex, EEX, APX), Powernext has drafted an initial market model, that has been presented on June 11th to a group of 70 market actors representing 44 companies.

- Details of the service are about to be finalised with the collaboration of an Expert Group (open to any company), gathering the main market players active on the french OTC market.

- Launch is targeted by the end of 2008

# Powernext Balancing GRTgaz : status



- GRTgaz and Powernext launched the balancing platform on 12 April 2007
- This platform allows (only) GRTgaz to buy/sell part of its balancing needs
- Within-Day (11:15) & Day-Ahead (16:15) : North (2700 MWh), South (1800 MWh)
- 14 companies already registered : Altergaz, EDF Trading, EGL, ENOI, Essent Trading, Gas Natural, Gaselys, Gazprom, Poweo, Shell, Sempra, Soteg, Total, Vitol.
- 8 new companies are in the process to join

Help desk : +33 1 73 03 96 10

Quantity tick: multiples of 150 MWh (at 25°C)

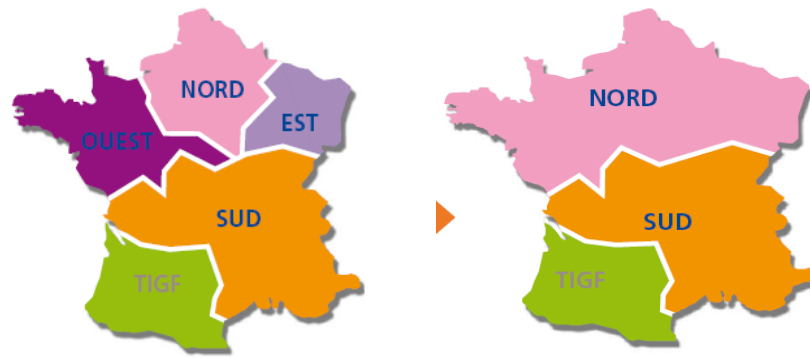
Local time: 10:15

ORDERS SUBMISSION		Balancing South				Balancing North											
<b>Within-Day</b> [10:15 → 11:15] Paris time Delivery date: 04/04/07 Allow order entry		PEG Sud				PEG Nord H				PEG Est				PEG Ouest			
		Qty	Bid	Ask	Qty	Qty	Bid	Ask	Qty	Qty	Bid	Ask	Qty	Qty	Bid	Ask	Qty
		300	17	18	150	150	15,5							300	17	18	150
				19	300											19	300
				20	450											20	450
<b>Day-Ahead</b> [15:15 → 16:15] Paris time Delivery date: 05/04/07		300	17	18	150	150	15,5							300	17	18	150
				19	300											19	300
				20	450											20	450

BALANCING NEEDS		Balancing South		Balancing North		RESULTS		Balancing South			Balancing North				
<b>Within-Day</b> Delivery date: 04/04/07		Qty max	4 050	Qty max	1 800	<b>Within-Day</b> Delivery date: 03/04/07	Qty	4 050	Price [EUR/MWh]	16,52	<b>Within-Day</b> Delivery date: 03/04/07	Qty	4 050	Price [EUR/MWh]	16,52
		Qty need	4 050	Qty need	1 800		GRTgaz Action	BID				GRTgaz Action	BID		
<b>Day-Ahead</b> Delivery date: 05/04/2007		Qty max	2 700	Qty max	2 700	<b>Day-Ahead</b> Delivery date: 03/04/07	Qty	2 700	Price [EUR/MWh]	16,77	<b>Day-Ahead</b> Delivery date: 03/04/07	Qty	2 700	Price [EUR/MWh]	16,77
		Qty need	N/A	Qty need	N/A		GRTgaz Action	ASK				GRTgaz Action	ASK		

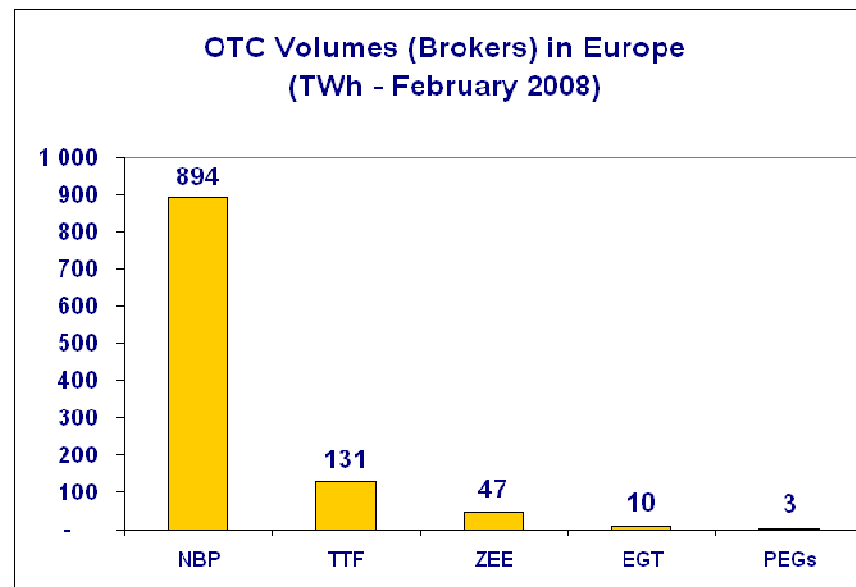
# Several positive factors impacting liquidity



- The liquidity of the French wholesale gas market should develop quickly in the years to come :
  - Merger of the West/North/East zones on January 1st 2009
    - Large zone of consumption (380 TWh)
    - Simplification of trading removing some operational risks
    - Increase of international arbitrage opportunities (pipeline & LNG)
  - Numerous CCGT are planned and will start operation
  - Fos Cavaou will be operational and other LNG terminals are planned
  - New capacities will be made available by TSOs
  - Retail market will continue to open
  - Number of shippers is increasing rapidly (44 at GRTgaz, 13 at TIGF)
  - TIGF PEG liquidity will increase through links with GRTgaz and Spain (2010)

# Status of the French wholesale gas market

- The French wholesale gas market is currently far less developed than the neighbouring hubs (NBP, TTF, Zeebrugge, EGT...)
- Liquidity is concentrated on the North and East PEGs



- The German wholesale gas market has seen a strong development since the merger of the EGT zones in October 2007
- A similar development could be expected on the French market at least in the « new » North zone

# Expectations expressed by traders towards Powernext

## An institutional role

- To promote the French wholesale gas market
- To develop the French gas trading community
- To promote market interests towards politicians and regulators
- To participate actively in regional and european integration in close cooperation with TSOs

## A reliable service

- To concentrate liquidity on a central screen
- To build robust price references
- To bring anonymity
- To remove counterparty risk through clearing
- To improve transparency
- To increase trading security through regulation

# Factors of success for a Gas Exchange

From the study, the following key factors have been identified :

- Support of incumbents (corporate structure of Powernext)
- Involvement of quotation providers (announced in the press release)
- Close relationship with market players
- Time-to-market
- Number of members
- Institutional support (regulator, TSO, marketers)
- Quality of market model
- Quality of service
- Trading System
- Cost



# Market Model: products



## Demand of the actors :

- H-gas only. Since the gas exchange will be launched end of 2008, products on the East and West PEGs are not necessary.
- Spot contracts on North, South and TIGF PEGs. Futures contracts with physical delivery on the North and potentially on the South
- Continuous markets

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Wednesday 25 June 2008

Local time 15:45

**Powernext Gas**

SPOT ORDERS SUBMISSION	
+	WD 2008-06-25
+	DA 2008-06-26
+	WE 2008-06-28/29

FUTURES ORDERS SUBMISSION	
+	July 2008
+	August 2008
+	September 2008
+	Q2 2008
+	Q3 2008
+	Q4 2008
+	Winter 2008
+	Summer 2009
+	Winter 2009

PEG Nord							PEG Sud							PEG TIGF						
Qty	Bid	Ask	Qty	Last	Dir	Move	Qty	Bid	Ask	Qty	Last	Dir	Move	Qty	Bid	Ask	Qty	Last	Dir	Move
750	26,05	26,20	250	26,10	↓	Paid	1300	25,32	26,40	900	26,25	↓		3500	20,00	20,25	2000	21,00	↓	
1500	25,80	26,05	1000	26,00	↑	Given	2000	27,50	28,65	2500	28,55	↑						25,95	↔	
1000	25,82	25,96	5000	25,80	↔	Given					25,80	↔								

Qty	Bid	Ask	Qty	Last	Dir	Move	Qty	Bid	Ask	Qty	Last	Dir	Move	Qty	Bid	Ask	Qty	Last	Dir	Move
				26,10	↓	Given					26,15	↑								
				26,00	↑	Given														
				26,15	↔	Paid														
				26,20	↑	Paid														
				26,15	↑	Paid														
				27,85	↑	Given														
				26,05	↓	Paid														
				27,85	↑	Given														
				27,95	↓	Given														

**BALANCING GRTgaz**

WD	Delivery date
[10:15-11:15]	25/06/2008
DA	Delivery date
[15:15-16:15]	26/06/2008
	Allow order entry

Quantity tick: multiples of 150 MWh (at 25°C)

PEG Nord					PEG Sud				
Qty	Bid	Ask	Qty	Qty	Qty	Bid	Ask	Qty	Qty
900	25,80	26,15	900						
900	25,70	26,25	900						

**Balancing Needs**

PEG Nord	PEG Sud
Within-Day	
Max 2 700	1 800 Max
Need N/A	N/A Need
Day-Ahead	
Max 2 700	1 800 Max
Need 2 700	1 200 Need

# Trading Session parameters determined during the Expert Committee

- Nominal expressed in MWh
- Minimal size of lots: 250 MWh
- Volume increment : 50 MWh
- Price tick: 0.025€ (to be confirmed)
- Trading Hours : 9:00am to 5:00pm
- Indices to be produced: All day index on Day Ahead, end of day settlement price on Futures products and a monthly average of settlement price for the Front Month



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