Shell Gas Direct Limited

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Dear Julian

UNC Modifcation Proposal 0116A, 0116BV, 0116CV, 0116V and 0116VD.

The following comments are offered on behalf of Shell Gas Direct Ltd (SGD). SGD is the holder of both gas supplier (non-domestic) and shipper licences respectively. This letter is not confidential and may be placed on your website.

SGD has taken part in a number of the meetings and discussions that have led to the development of the suite of 0116 modifications. Through this work and subsequent review of the suite of alternative modifications, SGD remains far from convinced of the necessity of making changes to the current NTS Exit arrangements.

As such, SGD supports modification proposal 0116A. For the avoidance of doubt, we do **not** support 0116BV, 0116CV, 0116V or 0116VD.

Supporting Comments

The NTS is designed and constructed based on flat throughput. Any flexibility is a by-product of the limited range of sizes in which pipe is available. As such it seems unreasonable for NGNTS to be able to charge for additional services that are already funded through the cost recovery mechanism.

All the modifications state that their respective purposes are to ensure that NGNTS receives adequate capacity requirement signals. However, there is no evidence presented to suggest that the current regime, as enhanced by the modifications to the ARCA scheme, is not providing these signals.

Given that it has not been shown that there is a problem, any costs incurred through system development and or additional operational costs must be outweighed by improvements elsewhere for a change to be valuable and reasonable to implement. Modifications 0116BV and 0116VD both indicate that development costs will be incurred, but do not demonstrate any cost based improvements and, as such, should be dismissed as not demonstrating an economic or efficient outcome.

Also, expanding the overrun tolerance from 1.5% as in the original modification to 3% as per modifications 0116BV and 0116VD will increase the potential size and frequency of smeared costs. This cannot be conducive to improving competition as it is clearly not targeting costs at those whose actions have incurred the expenditure.

SGD concurs with the position taken in modification 0116CV regarding the application of the undue discrimination obligation. Direct Connects and Distribution Network Offtakes are intrinsically different in nature, scale and operation and, as such, any small differences in treatment under the existing regime as a consequence of these intrinsic differences is easily accommodated within the allowance for due discrimination. This point is equally applicable to modification 0116A which Shell Gas Direct support.

Based on the above reasoning, and the balance of costs verses benefits, Shell Gas Direct supports implementation of Modification 0116A.

There is one potential downside of the current regime which is that a developer requiring a new offtake that does not require an ARCA will not be able to guarantee the capacity rights as these rights are tied to the costs associated with an ARCA. If this is regarded as a substantial issue a separate modification could be raised by a User to address this situation.

I hope you find these comments helpful.

Yours sincerely

Amrik Bal
UK Regulatory Affairs Manager, Shell Energy Europe