Shell Energy Europe Ltd

80 Strand
London
WC2R 0ZA
United Kingdom
Tel: +44 20 7546 2460
Email: amrik.bal@shell.com

Via email: box.transmissioncapacitycharging@nationalgrid.com

21 August 2015

Dear Thomas

Re NTS GCD11 - Updating the Cost Inputs to the NTS Optional Commodity Charge Function

Thank you for the opportunity to comment in response to this discussion paper. The following comments and answers to the questions in the paper are offered on behalf of Shell Energy Europe Ltd (SEEL), the holder of a gas shipper licence.

Question 1: Do respondents prefer Option One or Option Two as the most reasonable approach, and most consistent with facilitating the relevant objectives, to update the underlying costs of the formula in an effort to bring the NTS Optional Commodity charge formula more up to date?

We do not support either option. That is not to suggest that the NTS Optional Commodity Charge (CC) will not require updating. However, the process and timeline by which this review is taking place is too hurried and at a time of significant regulatory uncertainty.

Additionally, the proposals do not recognize the fact that shippers using the optional tariff will have foregone the alternative of investing in pipeline by-pass. Given that the minimum lifetime of pipelines is at least twenty years, this review and its results will undermine decisions legitimately taken by shippers some years ago.

We do not believe this can be right. At the very least far more lead time for implementation - and that does not necessarily mean either of these two options - is required to minimise the impact and disruption for these shippers.

Equally, it is not clear to extent the change to the current RIIO price control approach may be a relevant factor (in relation to the updating of inputs). To that extent, Ofgem's involvement in this consultation phase would be helpful. At the very least Grid should have an initial discussion with Ofgem ahead of a wider industry consultation.

Question 2: Do you agree with the proposal to delay reviewing the methodology / access and flexibility of the NTS Optional Commodity charge until EU TAR / GTCR is more certain?

As indicated, we believe there should be no change until there is greater certainty regarding the EU NC TAR and the basis on which the optional or other tariffs may be offered. It is for that reason that we support Ofgem's decision not to proceed with its Gas Transmission Charging Review (GTCR) until further certainty is available.

Against that backdrop, we therefore query why National Grid is taking the opposite view and seeking to update the optional tariff at a time of such uncertainty and when subsequent further change may be required?

Question 3: Do respondents agree with our proposed approach on timescales for notifying a change to NTS Optional Commodity charges, following the same notice periods as for other NTS charges? If not what do you believe these should be?

No – see our answers to Q1 and Q2.

Question 4: Do respondents believe 1 April 2016 is an appropriate implementation date? If not what do you believe the implementation date should be and why?

We reiterate our view that there should not be any change until Ofgem has clearly signalled what will form its GTCR (and this depends on the EU NC TAR). Ahead of any subsequent implementation process, National Grid should make clear the results of discussions it has had with Ofgem regarding not only the governance-related framework applicable to any changes but also the proposed updating of inputs from 1998 to the current RIIO price control approach.

Question 5: Are there any elements that you feel we should take into consideration, or that you believe we have missed and should take into account, in the two options being considered for

We do not see how tariff changes of the scale suggested in the paper will help facilitate competition between shippers and suppliers. In particular, the scale of tariff changes is likely to have the opposite effect.

In that context, it is worth noting Article 42 (2) of the EU NC TAR as recently submitted by ENTSOG to ACER and the significance it places on tariff increases of more than 20%. In short, an increase in excess of this figure can trigger a delay in implementation of the Code. As National Grid will be required to implement this Code, we wonder why it is willing to countenance optional tariff changes of more than 100%?

I hope that you have found these comments useful. Please do not hesitate to contact me should you require further clarification.

Regards

Amrik Bal
Commercial and Regulatory Affairs Manager
Shell Energy Europe Limited, acting through its agent
Shell International Trading and Shipping Company Limited

Due to electronic transfer, this letter is unsigned