



Philip Davies
Director, GB Markets
Ofgem
9, Millbank
London
SW1P 3GE

Direct line: 020 7257 0132

amrik.bal@shell.com

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Dear Philip

Uniform Network Code (UNC) Modification Proposal 0104 “3rd Party Proposal: Storage Information at LNG Importation Facilities” – Ofgem Open Letter dated 18 May 2007

Shell Gas Direct (SGD) Ltd, the holder of both gas supply (non-domestic) and shipper licences, offers the following comments in relation to the issues raised in Ofgem’s letter. This response is not confidential and so may be placed on your website.

Background

SGD responded to the UNC Modification Proposal 0104 consultation. The reasons why we thought the proposal should not be implemented were detailed in that response but they included issues such as the correct definition of storage and commercial confidentiality.

SGD, though, did not respond to the subsequent Impact Assessment (IA). Therefore, the opportunity to expound further on views expressed in response to the IA following the clarification provided in the Open Letter, while welcome, is limited in SGD’s case. Nevertheless, we would make the following brief comments and hope you find them useful.

Comments

Intent of the proposal

Following publication of the Open Letter, there now appears to be an inconsistency in Ofgem’s views regarding the appropriate aggregation of data. In paragraph 3.34 of the IA, Ofgem stated that:

‘...there should be no circumstances under which the stock data relating to only a single facility should be made publicly available.’

However, on page 2 of the Open Letter, Ofgem states that:

'From the legal text set out above, Ofgem does not consider that the intent of the proposal is to delay implementation until further LNG importation facilities have begun operation.....'

On the basis of this latter quote, surely Ofgem has made the case for rejecting the proposal? It may, of course, be that we have misunderstood the comments or the context in which they were made.

If so, we would welcome clarification from Ofgem as to the extent to which: a) these quotes are reconcilable with each other?; and b) it has satisfied itself that other import terminals will provide the same information?

The scope of the UNC with regard to this proposal

SGD notes Ofgem's interpretation of NGG NTS's licence conditions and its subsequent conclusion that arrangements in relation to so-called 'gas-in-store' at import terminals constitute part of the transportation arrangements of the GB gas system, and thus are within the scope of the UNC. Such an interpretation does appear somewhat wide and leads to problematic conclusions.

For instance, a logical view is that Ofgem's interpretation would see floating regas vessels in GB waters considered as part of the transportation arrangements of the GB gas system. If not, why not? Such vessels might have gas-in-store *'which may be introduced into the NTS.'* (see page 3 of Ofgem's Open Letter).

Therefore, an admittedly broad but nonetheless crucial question for Ofgem to answer is: where, on the basis of its own view, would the remit of the UNC actually end?

It would appear more reasonable that 'transportation arrangements' (Standard Special Condition A3(1)) should be interpreted as referring to entry, transportation and exit rights in relation to the NTS itself. This is very different to arrangements relating to the gas before it even *reaches* the NTS as envisaged by Ofgem.

Finally, SGD would advise caution in using illustrative examples, such as NGG NTS's use of Operating Margins. The danger is that their use obscures the original rationale put forward by Energywatch when proposing UNC Modification Proposal 0104.

I hope you have found these comments useful. Please do not hesitate to contact me should you have any queries.

Yours sincerely



Amrik Bal
UK Regulatory Affairs Manager, Shell Energy Europe