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### **Shell Energy Europe Limited (SEEL) response to RIIO-2 Sector Specific Methodology**

Dear Sir/Madam

Shell Energy Europe Limited (SEEL) offers the following comments in response to this consultation.

SEEL supports the initiative to require National Grid to undertake a review of the physical capability of the NTS as a means to ensure there is an efficient trade off between physical assets and commercial tools. We recognise that the proposed targets on National Grid are not planned to be delivered until the end of the price control period but we are concerned that a review of entry capacity baselines and peak entry and exit flows before April 2021 could give misleading results.

The proposed fundamental changes to the charging regime in the UK and neighbouring markets could impact shipper capacity booking behaviour and locational signals for the delivery and offtake of gas. As referenced in the consultation, the Future Energy Scenarios (FES) forecast that conventional supplies might be replaced with other indigenous sources of green gas and imported gas may become more important. Moreover, peak demand for gas across all scenarios could be 50% to 90% of today's peak. Given these uncertainties and lack of clear policies on green gas, potentially misleading results of forecast future flows would be exacerbated if it leads to a reduction in baselines, which does not reflect the future needs of the network.

Where practicable, capacity availability and network flexibility should be maintained to ensure a degree of optionality for future diverse sources of supply to utilise the gas network. As per National Grid's consultation on Shaping the Gas Transmission System of the Future, preserving capability in the gas grid keeps options open and reduces long-term risk at minimal cost. We trust that any assessment of the physical capability of the NTS will take into account the need for future network optionality.

In addition to our concerns highlighted above, we are further concerned that introducing entry zones during the next price control period could generate further tariff uncertainty, creating additional contract risk and cost, which could have an unintended impact on wholesale prices. The timing of any proposed changes to entry points should take this into account.

With respect to the linepack incentive, SEEL concurs with Ofgem's view that National Grid should continue to be incentivised to return linepack at the end of the gas day to the level it was at the start of the gas day to ensure those shippers that cause an imbalance are exposed to the costs and maintain clear signals to balance end of day, maintaining system integrity and security.

With respect to how National Grid can make a contribution to the transition to a low carbon energy system and support the decarbonisation of heat, we would like to highlight the drawbacks of the voluntary UK biomethane certification scheme, which is not universally recognised in neighbouring markets, making transferring green value challenging and dis-incentivising investment in biomethane solutions. A potential solution could be for National Grid to run the UK scheme, or at least to establish a government recognised scheme, which is universally recognised on the continent.

For biomethane producers wishing to access the gas distribution networks, the information and regulation is complex and often difficult to find and is amended regularly, which makes it onerous for potential producers to form a concrete view of the regulatory requirements and rules, thereby delaying access.

Please do not hesitate to contact me, should you wish to discuss any aspect of this consultation.

Yours faithfully  
Shell Energy Europe Ltd

Christiane Sykes.  
Commercial Regulatory Affairs Manager North West Europe.