



PETRONAS

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F.A.O. Chris Shanley
Joint Office of Gas Transporters
Lake View House
Warwick
CV34 6RG

Sent by email to: enquiries@gasgovernance.co.uk

28 March 2018

Dear Chris,

Re: Modification 636 (Updating the parameters for the NTS Optional Commodity Charge) to the Uniform Network Code and its related alternates ("Mod 636")

PETRONAS Energy Trading Limited ("**PETL**") would like to highlight certain concerns it has regarding the ongoing discussions on proposed Mod 636.

As you are aware, Mod 636 concerns changes to the current charging regime. Such charges are a key component of commercial discussions and pricing decisions between Shippers, upstream producers and end-user customers in respect of gas sales.

As is industry practice, these discussions and the related annual gas sales tenders for the upcoming gas year (commencing 1 October 2018) have already begun and will continue over the next 4-5 months. The majority of such tenders would usually have completed by June/July of this year. The reason for this is to enable adequate time ahead of the commencement of the relevant gas year to finalise contractual, operational and regulatory arrangements between the parties.

In order for the relevant stakeholders to engage in these tender processes, it is critical to have certainty over the transportation charges which will be applicable during the 2018-2019 gas year in advance of 1 October 2018. Without this certainty, participants are discouraged from taking part in these tenders due to the risks associated with not knowing what charges will be applicable during the contractual term.

In order for the gas market to function as efficiently as possible, PETL would like to stress the importance of a stable charging regime that ensures certainty and allows for Shippers to make appropriate commercial decisions ahead of time. Accordingly, PETL requests that due consideration is given in setting the intended timelines for considering Mod 636 to ensure that regulatory and commercial timetables are aligned and that any decision to amend the current charging regime is communicated to the industry with sufficient notice in advance of the 2018-2019 gas year.

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Another industry-standard practice in relation to these gas sales contracts which we wish to draw your attention to is the fact that they typically have a contractual term which is aligned to the dates of the gas year and have a minimum duration of one gas year (i.e. 1 October to 30 September). Therefore, from 1 October 2018, participants will already be subject to legally binding and fixed term contracts until at least 30 September 2019. These contracts will be based upon the charging regime which the parties believed to be applicable at the time of entering into those agreements. As a result, it would not be conducive to an efficient and fully functioning market should further changes be implemented beyond the commencement of the 2018-2019 gas year.

We hope you will find these comments useful when discussing Mod 636 and the appropriate timing should there be any changes to the current charging regime.

If you have any questions concerning the contents of this letter, please contact my colleague, Geoffrey Sekyere-Afriyie on geoffrey.sekyere-afriyie@petronasenergy.com or 0207 925 8686.

Yours sincerely,

Stephen Parle
Head of Operations
PETRONAS Energy Trading Limited