



Julian Madjanski
Joint Office of Gas Transporters
51 Homer Road
Solihull
B91 3QJ

Direct line: 020 7257 0132

amrik.bal@shell.com

27 November 2006

Dear Julian

UNC Modification Proposal 0104 – Storage Information at LNG Importation Facilities.

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.

For the avoidance of doubt, SGD is in favour of the availability and transparency of information where this is required for the effective and efficient functioning of the market. However, we do **not** support this proposal which we believe: a) relies on an incorrect application of the definition of storage; b) implicitly discriminates against one import terminal; and c) does not better facilitate the relevant objectives.

SGD believes that the proposer has misunderstood the nature of the operation of LNG import terminals and, as far SGD can tell, the Isle of Grain in particular. Consequently, the proposer's calls for what it classifies as 'storage' sit at odds with the definition of storage in both the Gas Act and the Guidelines for Good Practice for Storage System Operators (GGPSSO) respectively.

It is unfortunate that in industry meetings the proposer has been unable to address these points. For that reason alone, it is difficult to see how this modification could or should be approved.

Moreover, this proposal would appear to discriminate against Grain in relation to other (planned) import terminals and NTS Entry points. This element of discrimination would do little to persuade others in the future that the 'rules of the game' would not similarly be changed to an unacceptable degree after an investment decision has been made, ie. regulatory risk.

Finally, it is also difficult to argue how this proposal would better facilitate the relevant objectives. By way of explanation:

The efficient and economical operation of the pipeline system

It is not clear how implementation of this proposal would make any practical difference to enable shippers to undertake activities such as supply / demand forecasting and trading in a more efficient manner. If it did, then SGD wonders why it would take a non-commercial organisation such as the proposer to recognise the fact? In any event,

to a large degree the stock of what the proposer incorrectly classifies as storage can be inferred from information already available to the market.

The efficient discharge of the licensee's obligations under this licence

SGD also struggles to understand how publication of additional supply information would help shippers in better forecasting demand? The workstream report would imply that SGD is not alone in holding this view. The fact that the proposer thinks otherwise might again demonstrate a lack of understanding on its part.

What this proposal might do, however, is to have a *negative* impact on both short and long term security of supply considerations. LNG cargoes might be diverted elsewhere (short term); and prospective infrastructure developers might view this proposal as an example of increasing regulatory risk (long term).

The securing of effective competition between (i) relevant shippers and (ii) between relevant suppliers.

SGD notes the one-sided nature of the debate regarding information release and transparency. SGD believes that this proposal would continue the situation whereby supply information is increasingly made available but without any regard to the distortionary impact of leaving demand-related information transparency unaddressed, eg. in relation to gas-fired power stations. SGD does not, therefore, think that the proposal better facilitates this objective.

I hope you find these comments helpful.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Amrik Bal', with a small dot at the end.

Amrik Bal
UK Regulatory Affairs Manager, Shell Energy Europe