



Julian Majdanski
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Dear Julian

Re: UNC Proposals 0156 (NG NTS) and 0156a (EON) – Transfer and Trade of Capacity between ASEPs.

Shell Gas Direct (SGD) Ltd, the holder of both gas supplier (non-domestic) and shipper licences, offers the following comments in response to the respective proposals put forward by NG NTS and E.ON UK. Please note that this response is not confidential and so may be placed on your website.

Unless SGD has misinterpreted the proposals, it would appear that neither allows Users to optimise their existing capacity holdings in the manner suggested in UNC Modification Proposal 0138 – *Transitional Arrangements for Entry Capacity Transfers to Sold Out ASEPs* – put forward by E.ON UK. This was an important factor in SGD's support for the implementation of this proposal.

The lack of a similar provision in both 0156 and 0156a therefore **limits** the degree to which each might better facilitate the achievement of the relevant objectives. Notwithstanding this point, however, both proposals could be expected to do so, most notably in respect of:

- a) Standard Special Licence Condition A11 para 1(a) - allowing Users to trade and transfer capacity in the manner suggested in the two proposals could be expected reduce the extent to which there exists sterilised capacity, and so it would seem logical to conclude that either proposal would lead to a more efficient and economic operation of the NTS; and
- b) Standard Special Licence Condition A11 para 1(c) – a transfer and trade mechanism would also ensure that NG NTS met its new licence obligations with respect to the introduction of such mechanism.

While SGD would support the implementation of either proposal, we would have a preference for 0156a. As opposed to 0156, 0156a proposes two auction rounds. To a degree this might lead to added complexity. However, this complexity could be expected to be outweighed by the benefits of greater and welcome flexibility for Users in formulating their bidding strategy.

In its response to UNC Modification Proposals 150/150a and 151/151a, SGD made clear its views regarding what has ultimately turned out to be a rather hurried way in which the industry has been expected to discuss, devise and implement a Transfer and Trade Mechanism. It is important to note that these views remain valid.

As such, SGD would welcome clarification from Ofgem on how best to ensure that this situation is not repeated with respect to the development of enduring arrangements to apply from April 2008 onwards.

Yours sincerely

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

Amrik Bal
UK Regulatory Affairs Manager, Shell Energy Europe