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Shell Energy Europe Limited (SEEL) response NTS Gas Charging Discussion Document (NTS GCD 12)

Questions for Informal Consultation

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

Shell Energy Europe Limited (SEEL) supports Ofgem's minded to decision to implement 0678A on the basis that the proposal better reflects the characteristics of the GB gas transportation system. However, we recognise the shortcomings associated with implementation of either modification 0678 or 0678A and we welcome the opportunity to address these shortcomings through implementation of a Conditional Discount to Avoid Inefficient Bypass of the NTS.

As we have explained in previous responses to proposed changes to the UK charging regime, removing a discount, which mitigates the risk of network users bypassing the NTS, could have a material impact on competition in and commercial activities related to the shipping, transportation or supply of gas. Removal of a conditional discount could lead to a fall in demand at Interconnection Points and risks diverting gas flows to other markets as the attractiveness of the GB gas market is undermined, with a consequential detrimental impact on liquidity in the GB market.

In our view, each proposal, to a greater or lesser degree, targets routes where there is a genuine risk of construction or use of a competing pipeline. Without a conditional discount, the level of charges for remaining consumers would consequently increase as National Grid would have to recover its allowed revenue from smaller volumes of gas transported on its system.

In response to this discussion paper, we should particularly welcome initial guidance or views from Ofgem to ensure that proposals to introduce a conditional discount, following implementation of 678 / 0678A, do in Ofgem's view, meet with the relevant Licence objectives and NC TAR obligations, thereby ensuring that industry time is appropriately targeted and utilised to ensure timely implementation of a proposal, which best serves to mitigate the risk of inefficient bypass the NTS.

Implementation: What lead-time do you wish to see prior to implementation and why?

A delay to implementation of the wider charging proposal, i.e. 0678 / 0678A would be more conducive to enabling networks users to take full consideration of the proposed changes in their capacity booking strategies, system changes and contract negotiations, amongst other challenges and in addition, to develop conditional discount proposals on a non-urgent basis.

However, should Ofgem choose to implement modification 0678 / 0678A this October, it is imperative that implementation of a proposal to introduce a conditional discount, follows the same implementation timeline to mitigate the risk of inefficient bypass of the NTS at the earliest stage possible.

Impacts and Costs: What analysis, development and ongoing costs would you face?

SEEL has previously shared a commercially confidential assessment of costs through an Ofgem Call for Evidence.

Legal Text: Are you satisfied that the legal text will deliver the intent of the Solution?

We have not reviewed the legal text at this stage.

Yours faithfully

Christiane Sykes
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