



Shell E&P Ireland Limited

13th August 2008

Mr Denis Cagney
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.

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**Re: Transmission Tariff Methodology and Regulation in Ireland and Northern Ireland,
Consultation Paper, 27th June 2008**

Dear Mr Cagney,

With reference to the consultation paper entitled "Transmission Tariff Methodology and Regulation in Ireland and Northern Ireland" published by the CER on 27th June 2008, we would make the following comment:

Broadly Shell supports the principle of connecting the gas markets in both Ireland and Northern Ireland to make each more accessible to the other. However, we do not see that it is a necessity that tariffs and transmission systems must be harmonised to achieve this. We would hope that even with different Regulatory regimes in each jurisdiction "variations in the price and conditions on which gas is bought and sold will be determined by market conditions and economics" and that a single Regulatory regime is not necessarily a pre-requisite of such an approach, although we appreciate the aim of minimising transaction costs whatever regime is adopted. Further, we would hope that any arrangements developed would enable open bilateral access across all borders, not merely between the two Irish sectors.

With regards to the specific principles outlined in the consultation paper, we find it difficult to comment in detail at this stage as the paper is perhaps either too broad, or rather ambiguous in parts, for specific comment. In general it appears that LNG and indigenous fields are being cited as potential causes of an increase in Irish gas price when in fact the basic problem lies with the current tariff treatment of the UK Interconnectors at times of under-utilisation. We believe that alternative sources of gas should be encouraged from a security of supply perspective, particularly in the current energy climate, and would encourage the development of a regulatory regime that achieves this, rather than one that seems to have a primary aim of protecting under-utilised transmission assets, or potentially other inefficient investments.

With respect to the charging methodologies proposed, we feel more detail is needed to indicate what the impact of the various alternatives might be, as without understanding the specific details of what is being proposed in each case it is difficult to provide any detailed feedback. For example, Postalisation as a concept is discussed at some length in the paper, but without defining what this specifically means and how it would impact the various assets employed. We would therefore suggest that each of the principles mentioned in the

paper be described in sufficient detail for a full understanding of the concept to be portrayed and proper, considered comment to be given.

Shell supports the concept of free and fair competition and would welcome and support the development of a regime that allowed full competition of supply in a cost reflective, predictable and stable manner. We do not believe that Postalisation would achieve this were it to be extended to the wider, all-Ireland, market. We understand the difficulties caused by the current regulatory treatment of the UK Interconnectors with regards to potential increases in IBP pricing and would support a solution that addresses this. However, any solution, which should be careful neither to endanger security of supply nor distort competitive signals, must look to the parties involved at the time of the investment decisions for the Interconnectors themselves, rather than suggesting it is in any way the new supply providers that are causing any degree of problem. At times of increasing security of supply concerns globally this would seem to be somewhat counter-intuitive.

We reiterate our commitment to the development of a new tariff methodology and look forward to working further with you on this.

Yours sincerely,



Julian Cetti
Head of Commercial and Business Strategy

