



28th November 2008

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

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Re: Draft Conclusions on Transmission Tariff Harmonisation in Ireland and Northern Ireland, Consultation Paper, 17th October 2008

Dear Mr Cagney,

With reference to the consultation paper entitled "Draft Conclusions on Transmission Tariff Harmonisation in Ireland and Northern Ireland" published by the CER on 17th October 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 need be harmonised to achieve this. 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 would make the following observations:

- 1- We are generally supportive of an Entry-Exit regime provided such is developed and administered in a cost reflective manner, adopting uniform principles for all participants and avoiding any cross-subsidisation.
- 2- We agree with the view that security of supply is enhanced by the development of independent indigenous supply sources.
- 3- We note the statement that BGN be allowed to recover the full IC cost, based on security of supply arguments, and also note the statement in the report that "One could question whether an Entry Exit regime could work as intended where the marginal Entry point is guaranteed cost recovery". Nevertheless, if such an arrangement could be made to work we would support this provided that such recovery did not involve any form of subsidisation. Further, we would expect that in a regime where all parties were treated equally other projects also contributing to gas security of supply would also receive similar cost recovery guarantees.
- 4- All proposals should be consistent with EU regulatory legislation.
- 5- We would not support the bundling of all Moffat Interconnectors as clearly these were constructed, and operate, independently. Any bundling would therefore suggest cross-subsidisation which in principle we do not support.

- 6- We would not support the distribution of any revenues to any one particular jurisdiction unfairly, as clearly in a fully implemented CAG all exit points should accept the arrangements in place and receive equal treatment.
- 7- The suggestion that “all Shippers book a set number of days of back-up capacity on a separate, physical connection” seems a very difficult one to implement, particularly if all Interconnectors are bundled, as there is likely to be insufficient non-IC capacity to allow this to occur.
- 8- As it is recognised in the paper that many of the principles need further development we would suggest that this be undertaken without delay to provide interested parties with a full understanding of the concepts proposed so that complete, considered comment can be given.

Overall, 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 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 should be careful neither to endanger security of supply nor distort competitive signals and must look to the parties involved at the time of the investment decisions for a solution, rather than suggesting it is in any way the fault or responsibility of other system participants.

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

