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c/o Mrs. Fay Geitona, Secretary General  
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### **Consultation on the ERGEG Draft Guidelines for Good Practice on Open Season Procedures**

Dear Mrs. Geitona,

Shell appreciates the opportunity to respond to the ERGEG Draft Guidelines of Good Practice on Open Season Procedures (GGPOS) dated 6 December 2006. The following comments are offered on behalf of Shell International Exploration and Production B.V. and Shell Energy Europe B.V.

Before commenting on the specific questions raised in the consultation document, we would like to make some general observations:

- We see the proposed guidelines in the context of Regulation 1775/2005 which refers to transmission (excluding the upstream pipeline network as defined in article 2(2) of the gas Directive) and not to storage or LNG. Our comments refer only to transmission. Although we do not exclude that open season procedures could not also be formulated for storage and LNG, such procedures should reflect: a) the fact that transmission, unlike storage or LNG infrastructure development, is essentially a natural monopoly activity; and b) in any case the very different nature of LNG regas and storage capacity compared to transmission.
- We concur in principle with the concept of an open process for the construction of new transmission capacity. It is in our view an appropriate way to foster the non-discriminatory availability of transportation capacity.
- The application of an open season process should be commensurate with the size and importance of the planned new transmission capacity. The process itself should be fit-for-purpose.
- It is important to safeguard the confidentiality of commercially sensitive information. Especially the forward planning of market activities will be confidential and the process should take this into account.
- When evaluating the outcome of an open season process the basic reason for conducting such a process have to be borne in mind: It allows the market to express capacity interests which go beyond the originally planned project. The investor will want to manage the risk of this

additional capacity and its utilisation accordingly. Therefore for the additional capacity longer term capacity reservations may be in the interest of the investor.

Specific comments on questions raised in the consultation document (paragraph 40):

a.

Please see first introductory remark. We note and support the comments contained in the question regarding the potentially different application of the Guidelines where market-based prices provide investment signals; over a period of time, the market mechanism will provide the most efficient and non-discriminatory means of capacity provision and allocation. This therefore supports the comments we make above regarding the Guidelines only applying to a natural monopoly such as transmission.

Care should be taken when defining the scope for the guidelines. The process should not result in delays for smaller system upgrades and debottlenecking measures. It could be envisaged that certain process aspects (e.g. announcement measures, response deadlines, information requirements) could be different for different projects, especially taking project size and type into account.

An open season process should not be applied if resulting measures would lead to higher unit costs.

b.

The information list provided in the guidelines appears to be very comprehensive. As mentioned above we believe it is important to protect commercially sensitive information. In that respect we believe that it is not required to disclose potential gas sourcing details when expressing an interest in capacity.

c.

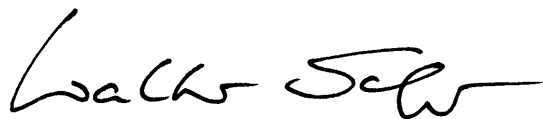
The Guideline should in our view refrain from imposing commercial terms which are outside the open season process as such (e.g. in paragraph 29).

In case of pro-rata capacity allocations it is important to make sure that such a process would not lead to uneconomic lot sizes. Experience with previous open season processes, e.g. in the context of the TAG pipeline expansion, shows that this could put the whole process in question.

We believe that the information listed under the second and third bullets of paragraph 30 constitute commercially sensitive information which only should be published with the agreement of the parties concerned.

Yours sincerely,

Shell Energy Europe B.V.



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