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c/o Mrs. Fay Geitona, Secretary General  
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### **Consultation on the EREG Consultation Paper on Calculation of Available Capacities: Understanding and Issues**

Dear Mrs Geitona,

Shell Energy Europe (SEE) BV offers the following comments in response to the issues raised in this consultation document. In doing so, SEE would like to confirm its understanding that this consultation:

- a) refers to the calculation of available capacity not only at interconnection points but also of transportation networks per se; and
- b) may result in a further consultation on specific guidelines.

At present, we intend to limit our response to the following general comments in response to some of the issues in the document, and which we hope will be of help in drawing up any specific guidelines for further consultation. As and when there is such a further consultation, SEE will offer more detailed comments at that point.

#### *Dependence on Network Scenarios*

SEE agrees that the network model used by the TSO for capacity calculation should be adequate and secure.<sup>1</sup> However, the model should also be stable and have the confidence of other market participants, namely shippers. One way to achieve this would be for the NRA to require the TSO to consult on any modelling assumptions it has made, especially in relation to the likely nature of system flows.

Even allowing for such a consultation process, TSOs may nevertheless enjoy and benefit from a technical and operational advantage over most, if not all, system users. A validating role for an external and independent organisation would therefore be welcome to help check this problem.

The market-based approach is a legitimate means of maximising available capacity (see paragraph 28). However, care should be taken to ensure that the specific model chosen does not encourage the TSO to take advantage of any incentives in way that may be to the detriment of system users. This *can* be a danger with a capacity buyback regime.

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<sup>1</sup> It is also an absolute prerequisite that any model should not endanger any safety concerns.

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For instance, it may be that in response to a constraint at one point, the TSO has operational discretion as to where buybacks take place - and this may not always be at the point where a constraint manifests itself – and that this decision is influenced by the nature of its regulatory incentives. If this is indeed the case, it could undermine market confidence with respect to previously published available capacity figures and the basis on which they are subject to change.

#### *Network Scenario Building*

In relation to Operating Margins (OMs), Security Criteria, Flexibility Services and Reliability Values (see paragraphs 31, 33, 35 and 36 respectively), a TSO should be required to:

- a) consult with system users on any methodology; and
- b) have any methodology approved by the relevant NRA.

Again, the NRA should ensure that the TSO is holding any consultation process in such a way that allows for meaningful participation from system users and does not require a degree of technical knowledge that only a TSO would be expected to have. Clearly, there may again be a role for an independent organisation.

#### *Operational Margin and Risk Management*

Given that transportation agreements involve binding contractual obligations between the TSO and shippers, it is important that there is clarity with respect to any circumstances that may lead to a suspension of those obligations. This would include Force Majeure clauses.

Consistency in such clauses could be beneficial. However, given that network operation and condition will differ from network to network, consistency may not be easy to achieve. However, what should be achievable is greater evidence of the nature of FM clauses.

#### *Recalculation Process of Available Capacity*

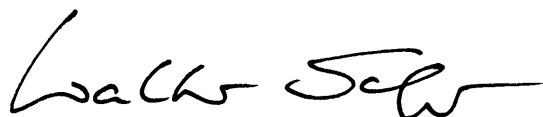
It is important that in recalculating available capacity, the rights of existing capacity holders are not undermined. To do so would lead to uncertainty on the part of shippers and could make system users unwilling to make long-term financial commitments.

SEE is therefore pleased to read that any recalculation should take into account existing transportation agreements (see paragraph 47).

I trust you have found these comments useful.

Yours sincerely,

Shell Energy Europe B.V.



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