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Dear Conor

Code Modification Proposal A074: Changes to Daily Imbalance Prices: Second Tier Imbalance Prices

Thank you for the opportunity to comment in response to this modification proposal. For the avoidance of doubt, Shell Energy Europe Ltd (SEEL) does not support implementation of A074. In doing so, we agree with the views expressed by IOOA in its response and would summarise this support as follows:

Firstly, changes to the second tier imbalance price will have a have significant commercial and portfolio management implications for shippers and other system users. We would consequently suggest that:

- a) a proposal of this type can't be rushed through in the manner adopted by GNI; while there have been various industry discussions and meetings regarding the gas balancing regime, none were with this proposal in mind; and
- b) the information required to assess the impact of such a change should be made available and any clarification requested provided in a timely manner, allowing shippers sufficient opportunity to take a considered view.

The rather rushed process has left shippers in the dark over the basis & rationale for selecting a multiplier range of 0.75/1.25. If there is none – and that must be the assumption in the absence of any evidence to the contrary - then it is not clear how GNI can conclude this is the most efficient range to incentivise a change in shipper balancing behaviour rather than some arbitrary and ineffective penalty.

Secondly, Corrib flows may well have an impact on network system management. However, it would be unwise to conclude that commissioning flows on two days in July provide conclusive evidence that subsequent commercial flows will exacerbate the network balancing issues identified by GNI. Far more preferable would be for GNI take a more considered and experienced view of the impact of these flows combined with those at Moffat and virtual reverse flow over a period of time.

Finally, a balancing regime based on shippers having the primary balancing role; daily, market-based imbalance prices; and a residual balancing role for the network operator represents the best means of addressing the shortcomings of the current balancing regime. GNI should therefore concentrate efforts on considering the wider reforms required to the balancing arrangements (as contained in the IOOA response), as well ensuring the

speedy and effective implementation of the EU Gas Balancing Network Code (including the development & implementation of interim measures such as a balancing platform).

I trust that you have found these comments helpful. Please let me know if you require any further information.

Yours sincerely

Amrik Bal
Commercial and Regulatory Affairs Manager
Shell Energy Europe Ltd, acting through its agent
Shell International Trading and Shipping Company Ltd

Due to electronic transfer this letter is unsigned