



European Regulators Group for Electricity and Gas (ERGEG)
c/o Mrs. Fay Geitona, Secretary General
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Consultation on the ERGEG Consultation Paper on Secondary Markets: the way to deal with contractual congestion on interconnection points

Dear Mrs. Geitona,

Shell appreciates the opportunity to respond to the ERGEG Consultation Paper on Secondary Markets: the way to deal with contractual congestion on interconnection points dated 18 April 2007. The following comments are offered on behalf of Shell Energy Europe B.V.

Question A:

We believe that any current evaluation of the performance of the secondary capacity market in Europe suffers from a lack of clear definition of the subject at hand. This is also evidenced by the recently started ERGEG consultation "Calculation of Available Capacities - Understanding and Issues".

As a general remark we would like to stress that when considering volume and liquidity of secondary markets one must take into account that while we acknowledge that there is a role for short-term business in the gas market, we also see that gas in Europe is fundamentally long-term orientated. By way of partial illustration, it might help to consider capacity trading in GB. NTS entry rights are perfectly tradable between capacity holders and yet the levels of secondary trading are low even in this highly liberalised market.

Question B:

As for question A, the design of secondary capacity markets would be improved by clarity on definitions. In our view, the trading of capacity would be aided if products were standardised (based on commonly agreed definitions) and practical use was kept in mind, ie. the products and the associated rules should be easily understood. Such characteristics would help existing and new market participants price the value of secondary capacity, reduce risk for new entrants and may help avoid low volumes of secondary capacity trading.

Question C:

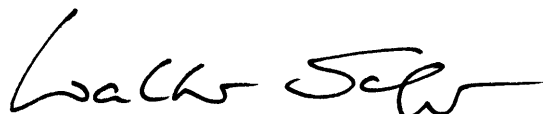
We believe that a working secondary capacity market would be an incentive in itself to the trading of capacity rights but Shell nevertheless supports the UIOLI principle. It must be realised, however, that shippers have the responsibility to arrange for capacity commensurate with their contractual obligations including security of supply provisions for high-demand situations or supply shortfall, and this can be in relation to legacy and non-legacy capacity arrangements. Any capacity that has been booked in order to

comply with these provisions can under an UIOLI concept only be made available on an interruptible basis.

Related to this point is that, absent of any competition concerns, UIOLI rules should not undermine the rights of the original capacity holder. To do so might deter long-term financial commitments by market participants and this may impact on the ability of TSOs to fund / justify transmission infrastructure investment.

Yours sincerely,

Shell Energy Europe B.V.

A handwritten signature in black ink, appearing to read 'Walter Schaefer', written in a cursive style.

Walter Schaefer
Regulatory & External Affairs Manager
Shell Energy Europe