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Shell Energy Europe Limited (SEEL) response to the presentation at the market dialog “One market area” on 06.02.2019 in Essen

Dear Madame and Sir,

Thank you for the opportunity to provide comments to the recent presentation on the market area merger of Net Connect Germany and Gaspool. We hope this marks the beginning of continued dialogue and consultation with network users and that more detailed information will follow to enable industry participants to assess the potential impact and to better understand the figures presented.

An impact assessment carried out by an impartial party would better facilitate understanding of the risk of the reduction in firm capacity, compared to the costs of network investment and market-based measures. For example, it is not clear why the merger could lead to as much as a 78 % reduction in firm capacity availability, compared to the Gas Network Development Plan (NDP) 2018-2028. A reduction of this magnitude would run counter to the objective of the market area merger, which is to increase liquidity and strengthen the German Gas market.

The assumptions, scenarios and calculations should be made transparent to enable market participants to carry out their own impact assessments and take an informed view of the options presented. We would further request that an impact assessment includes location specific details, i.e. which network points and the volume of capacity affected.

From an entirely pragmatic perspective, market-based measures are, however, the only realistic option to alleviate any potential constraints on the system ahead of the merger, given that expansion of the network is unfeasible before October 2021 and is likely very expensive, compared to the risk of congestion. A regular assessment may need to be carried out, to ensure this continues to be the case.

With respect to the proposed market based measures, SEEL's preference is for the exchange based spread product to be utilised in the first instance as this is the most economically efficient solution for determining a value for the product. Should this not deliver the required outcome, then wheeling and third-party network use could be utilised.

The latter two products carry more risk, with respect to competition for capacity between TSOs and shippers and the price the TSO would have to pay for the capacity as they may not have the same commercial drivers to keep down costs as market participants. However, it may be possible to put in place mechanisms to resolve these issues and we look forward to exploring this further through future

dialogue and consultation with the system operators and the BNetzA, to ensure there are no unintended consequences on market liquidity and that the attractiveness and competitiveness of the German gas market is maintained or improved.

Please do not hesitate to contact me, should you wish to discuss any aspect of this response.

Yours faithfully

Christiane Sykes
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