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Dear Eddie

**RE: NTS GCM 11 'Retrospective Negative TO Entry Commodity Charge'**

Thank you for the opportunity to respond to this consultation. Shell Gas Direct (SGD) Ltd, the holder of both gas supplier (non-domestic) and shipper licences, offers the following brief comments. Please note that this response is not confidential and so may be placed on your website.

For the avoidance of doubt, SGD supports the introduction of GCM11. In summary, the reasons for this view are as follows:

- in line with comments provided in response to the related GCM 10, SGD considers it important that costs and revenues are targeted and allocated as accurately as possible. In the case of entry capacity, any excess revenue should be redistributed amongst entry capacity holders alone;
- given that there are circumstances in which GCM 10 may not be entirely effective, ie. when any over-recovery is in excess of revenue that can be collected through the TO Commodity Charge, GCM 11 offers a means of ensuring that redistribution remains targeted amongst entry capacity holders; and
- GCM 11 will help achieve the relevant methodology objectives contained in Standard Special Condition A5 of National Grid's GT licence. In particular:
  - a) preventing any erroneous flow of monies between entry and exit could be expected to further competition between gas shippers and gas suppliers;
  - b) the subsequent accuracy and appropriateness of the TO Entry Commodity Charge should better reflect the costs incurred by National Grid;
  - c) GCM 11 clearly takes into account potential developments in the entry capacity auction regime that might result in excess revenues, the redistribution of which would not be targeted at entry capacity holders.

With regards to over-recoveries under £1m, SGD assumes that these would feed through into the K mechanism? The document is silent on this point.

As for the figure itself, while SGD understands the rationale behind its calculation, ie. the link with the lowest possible TO Commodity Charge, £1m does seem a rather excessive threshold. Although it is not clear (at least at this stage) on what basis an alternative threshold could be established, it would be appreciated if National Grid could give this matter further thought.

I hope you have found these comments helpful.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Amrik Bal', with a small flourish at the end.

Amrik Bal

**UK Regulatory Affairs Manager, Shell Energy Europe**