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Via e-mail: [ENER-NC-PRIORITIES@ec.europa.eu](mailto:ENER-NC-PRIORITIES@ec.europa.eu)

### **Establishment of the priority list for the development of network codes for 2012 and beyond**

Thank you for the opportunity to comment in response to this consultation paper. The following comments are offered on behalf of Shell Energy Europe Ltd. Headquartered in London, Shell Energy Europe Limited (SEEL) coordinates Shell's European gas, power and CO2 marketing and trading business across 14 offices around Europe.

For the avoidance of doubt, please note that this response is not confidential.

The development of cross-border codes in both the gas and electricity markets will play an important role in helping complete the Internal Energy Market (IEM). While it is clearly preferable to have each code completed in time to meet the newly established deadline of 2014 for completion of the IEM, we note and welcome the paper's recognition that this is a challenging timetable. We therefore support the approach taken by the Commission in establishing a priority list of network codes and subsequently our comments in response to the consultation paper are limited in nature.

In that context, identifying which codes will have the most immediate and fundamental impact on market integration is the crucial point. From our experience in other markets, we would consider that priority should be given to the development of competitive wholesale markets as these represent the best means of reducing barriers to entry and supporting competitive retail markets.

Against the backdrop of this view and in response to Q1, SEEL supports the paper's proposal for priority in 2012 to be given to the network codes for capacity allocation and congestion management, balancing, tariffs and interoperability. These are areas fundamental to competition in wholesale markets and therefore underpin success in achieving wider market liberalisation and competition policy objectives.

In response to Q2 and the issue of longer-term priorities for 2013 and beyond, it is notable that the paper is silent on any interaction between code development and work going on in relation to the gas target model. At a recent workshop in Bonn, it was suggested that the target model work was aimed at trying to reach consensus or an understanding on the nature and structure of the market that would result from the development

of the codes. If this is indeed the case, clarity regarding the current and ongoing linkage between the two work areas would be welcome, if only to ensure consistency between emerging priorities.

Finally, with regards to question 3, there are both advantages and disadvantages to the different approaches being followed in the development of the codes in gas and those for electricity. In the case of the former, there will be a separate Framework Guideline (FG) for each code, whereas in electricity the proposal is for a single overarching FG to accompany the various codes.

Each process has its advantages and disadvantages; the fact that different approaches are being followed in developing the two sets of codes should not raise any undue concerns or difficulties. SEEL is content to see separate approaches.

That said, in relation to the development of the gas codes, we would suggest that care needs to be given to ensuring that:

- a) as each code will be developed on the basis of separate FGs, in total they must be capable of operating in tandem with each other; and
- b) there are appropriate governance and change management procedures in place to ensure that each code can be changed independently in response to market demands. For example, the plethora of separate but interrelated codes in the GB electricity market, each with their own governance processes, can mean that amendments to one or more codes are difficult to coordinate.

I trust that you find the comments in this letter helpful. Please do not hesitate to contact me should you have any questions or require further clarification regarding any aspect of our response.

Finally, as a pan-European energy trader, shipper and supplier, SEEL has an obvious interest in all aspects of the liberalisation of energy markets. We therefore look forward to contributing to the ongoing work in developing the codes.

Yours sincerely



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Shell Energy Europe Limited, acting through its agent  
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