

Shell Gas Limited

Remedies Working Paper Response - Non-confidential version

Overall Shell Gas Limited ("SGL") is content that the package of remedies proposed by the Competition Commission in its remedies paper (the "Working Paper") is workable. SGL has only a few remarks on certain practical issues arising out of this remedies package and these are set out below.

1. Metered Estates

In principle, SGL agrees with the proposition at paragraph 23 of the Working Paper that the tank transfer remedy could apply to certain metered estates within the Commission's terms of reference as well as above ground tanks and underground tanks. Obviously, in those circumstances, tank transfer could arise only when all those consumers (whether domestic or not) who are supplied from the tank in question, choose to switch. However, it must be recognised that a tank transfer in the context of a metered estate will give rise to additional requirements in relation to the transfer of associated equipment; for example, meters, extended pipework and regulators, safety barriers and fencing which are all provided by a supplier to a metered estate but not by a supplier to a single domestic premises. As currently drafted, paragraph 25 of the Working Paper does not take account of this. This fact should also be reflected in the tank valuation methodology which will need to provide for the valuation of more than just the tank in the context of metered estates.

2. Ten year test

The figures used in the Working Paper relating to the cost of a ten year test appear to SGL to be inconsistent. For instance, at paragraph 86 the Commission indicates that it has been told that a ten year test costs in the region of £150. However, the depreciation profiles at Appendix 2 of the Working Paper assume a 10 year test cost of £70. [confidential] As indicated in the Annex to the letter to the Commission of 09 December 2005, the cost of a ten year test to SGL is estimated at £[confidential].

3. Dataplate

At paragraph 130 of the Working Paper the Commission makes reference to changing the signage and dataplate. To be clear, whilst tank signage is changed by physically taking down the previous signage and applying new signage, the tank data plate is not changed since it is fixed permanently to the tank.

4. Documentation

At various points in the Working Paper the Commission refers to certain documents which will be required to be provided by an outgoing supplier to an incoming supplier; for instance, at paragraphs 88 and 114 of the Working Paper. SGL considers that this obligation should only extend to documents which an LPG supplier is required to hold by law.

Also in this context, the Commission refers to documentation relating to cathodic protection (paragraphs 121 and 122 of the Working Paper). Cathodic protection is not a legal requirement for tanks and, therefore, there will be tanks falling within the scope of the Commission's remedies which do not have cathodic protection. Accordingly, cathodic protection will not be documented in relation to such tanks. SGL considers that the Working Paper should be amended to reflect this.

5. **Termination charges**

Under the Working Paper, the maximum contractual exclusivity period permitted by the Competition Commission is determined at two years (paragraph 301). In relation to this exclusivity period, SGL is seeking clarification from the Competition Commission as to whether it can levy termination charges on those customers that switch away from SGL during the exclusivity period. SGL believes that such charges are reasonable given the lower prices charged to such customers to reflect the two year contractual commitment and would generally be expressed to be the consideration for SGL waiving exclusivity. If the Competition Commission agrees that termination charges may be levied in such circumstances, the restriction, specified in paragraph 262 of the Working Paper, setting at zero the termination charges that may be levied by an outgoing supplier will need to be amended to reflect this.

I hope that these comments are of help. Please feel free to contact me if you require any further details on these comments.

23 March 2006