

A blurred, blue-tinted image of a computer keyboard, showing keys and a mouse, serving as a background for the slide.

Revised Grain 1 UIoLI arrangements Presentation to DSWG

Sophie Tremolet, Wholesale Markets

Outline

- How did we get there?
 - Regulatory regime for Grain 1 LNG Terminal
 - Operation of Grain 1 LNG Terminal

- The revised “Use It or Lose It” (UIoLI) arrangements
 - Content
 - Ofgem’s outstanding concerns

RTPA and Use It or Lose It

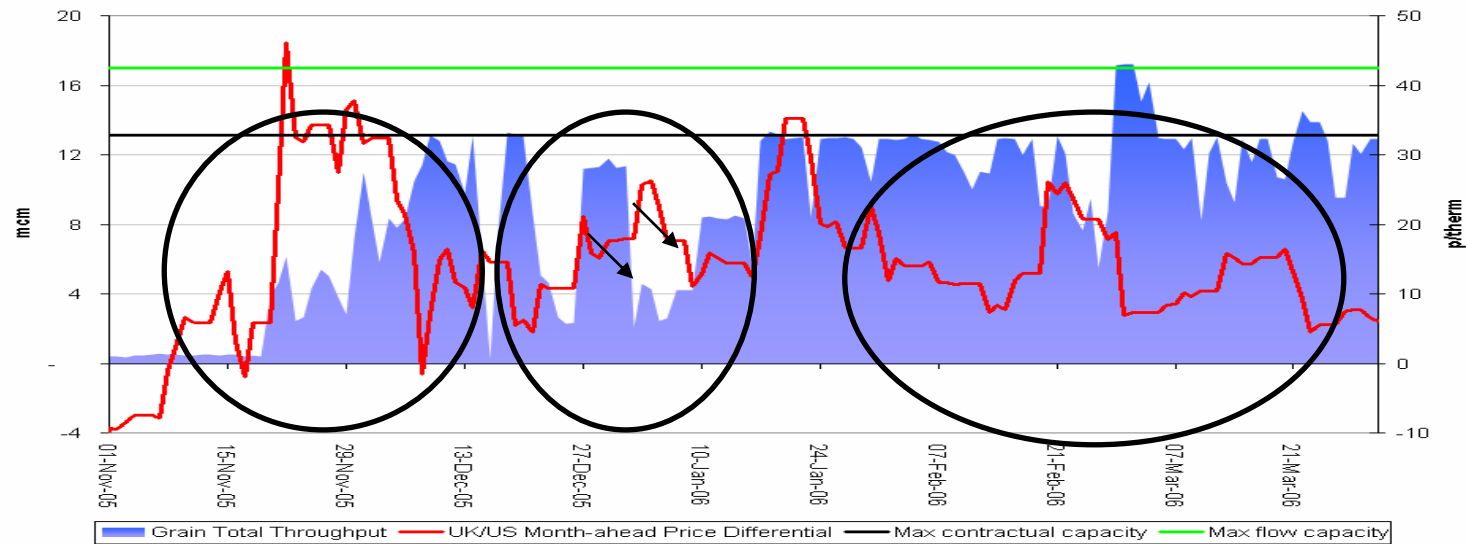
- Ofgem granted exemptions to Grain LNG from RTPA (as well as South Hook and Dragon) conditional on effective mechanism to ensure capacity is not hoarded - "Use it or lose it arrangements"
 - Exemption is in place such that it is:
 - Not detrimental to competition; or
 - Not detrimental to operation of economically efficient gas market
- Ofgem's policy is to ensure that unused capacity can be obtained in a transparent manner:
 - By third parties;
 - To maximise use of LNG terminal

Winter 2005/6: Grain's performance

Low Flows

Missed berths

Improved performance



Concerns over missed berths given high UK prices

Revised UIoLI arrangements

- In response to Ofgem and market concerns...
- Secondary capacity arrangements published on 31st July for UIoLI at Grain
 - Consolidated product, consisting of:
 - One berthing slot
 - Temporary storage of gas for seven days
 - Send out of gas over seven days
 - Product to be sold by auction to Qualified bidders
 - Auction announced at 10:30 on D-10
 - Auction closes at 12:00 on D-7
 - 16:00—18:00 successful bidder notified

For more details see "Access to Secondary Capacity: An information guide for prospective Secondary Shippers"
On : <http://www.ingga.com/main.html>

Ofgem's outstanding concerns

- Length of auction period – concerns shared by other market participants
- Reserve price – methodology still unclear

- **New arrangements need to be tested**
- **Discussions ongoing with Grain, shippers and market**
- **Ofgem Open Letter outlining concerns**