

Indra Thillainathan
Senior Analyst
Office of Gas & Electricity Markets
Ofgem
9 Millbank
London
SW1P 3GE

Heather Lockyer
LNG Commercial Manager

heather.j.lockyer@uk.ngrid.com
Direct tel. +44 (0)1926 653440
Direct fax +44 (0)1926 653042
Mobile +44 (0)7990 564372

www.nationalgrid.com

15 January 2007

Your Reference 1/07

Dear Indra,

Thank you for the opportunity to respond to the proposed new Licence Condition on Gas Distribution Operators regarding Entry Arrangements for connecting to the gas distribution network.

National Grid LNG Storage operates four LNG Storage facilities located in the western half of the UK, at Avonmouth (near Bristol), Dynevor Arms (in South Wales), Partington (near Manchester) and Glenmavis (near Glasgow). The facilities were built between 1972 and 1982 and have provided Operating Margins, peak shaving and other services to the UK Gas Market ever since. All of the facilities, except Dynevor Arms are connected to both the NTS and the DN. The NTS connection is used for storage injection and withdrawal by our customers, whereas that to the DN is primarily used for disposal of Boil-off gas by ourselves. All flows into the DN and NTS Systems are currently subject to the NTS Entry regime.

We support the Ofgem position that new DN embedded entry should be based on bi-lateral contracting involving the relevant DN. The complexity and therefore corresponding administrative costs need to be proportionate in respect of the envisaged flows and their consequences in respect of DN connection, operation and potential indirect implications for the NTS.

In the context of existing arrangements we believe that the arrangements are credible, appropriate and proportionate and therefore would only require revision where the parties to the existing arrangements find these unacceptable. In the context of the National Grid LNG storage facilities we believe it would be appropriate for the existing arrangements to be retained for the following reasons:

1. No requirement for the DNO to provide additional capacity. As the facilities have been operational for 25 – 35 years, there should be no requirement for a DNO to invest to provide DN entry capacity.
2. Flows are very small compared with NTS entry flows. Boil-off is typically 0.5 – 1 GWh/d at each facility, compared to maximum withdrawal flows of 50 – 200 GWh/d (depending on the facility). There would be an additional operational overhead associated with the separate booking of DN entry capacity which we do not consider would be justified on the basis of the very small flows into the DN.

Yours sincerely,

Heather Lockyer
LNG Commercial Manager
National Grid LNG Storage