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April 11, 2007

Dear Hannah,

**RE: 3rd Party Proposal: Storage Information at LNG Importation Facilities:  
Modification Reference Number UNC 104**

Thank you for the opportunity to respond to the above Impact Assessment. As expressed in our response to Modification Proposal 0104, we do not support this Proposal.

Although we support greater transparency where provision of that information would demonstrably improve operation of the market, on this occasion we believe that implementation of this Proposal could not be expected to yield useful information and therefore would have little or no impact on market participant decision-making. This view arises for the following reasons;

- We firmly believe that, as upstream assets, LNG importation facilities are materially and operationally different to gas storage facilities and therefore do not warrant being treated similarly in terms of information publication.
- Forcing one LNG terminal operator to release "storage" information, whilst other gas entry terminals are excluded, could represent undue discrimination.
- New LNG facilities will not be contractually bound to provide the same information as the current facility at the Isle of Grain. This places the Isle of Grain in a more "regulated" position relative to future LNG terminals, which may represent undue discrimination.

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- The information that the Modification is seeking to publish is already available to market participants from other sources and is therefore superfluous.

For clarity, we have not answered all questions posed, but have concentrated instead on those where we are able to offer additional analysis or insight.

**Question 3: Do you agree that the provision of stock information regarding LNG importation facilities would allow market participants to make more informed forecasts of when LNG facilities would flow following a diversion of LNG imports away from GB, and that parties could then factor this into expectations of market price?**

If this Proposal were to be implemented, we believe that market participants would be unlikely to be able to make more informed forecasts regarding LNG flow given that the purpose of importation facilities is simply to receive and regasify LNG for immediate or very short-term delivery, in preparation for subsequent cargoes. It should also be remembered that information regarding actual deliveries by ship to LNG import terminals is readily available to market participants from other sources, e.g. the Heren LNG report, which publishes details of cargoes unloaded at Grain. In light of this, we do not consider there is any merit in providing this information in another form. It would provide no additional benefit to us, as a shipper of gas, over what is presently available and therefore cannot be expected to alter our decision making.

**Question 5: Do you agree that the proposal would improve the economic and efficient operation of the market?**

As highlighted above, the Proposal does not appear to offer enhanced signals to the market that would result in more rational decision-making. Instead, it could be argued that the Proposal will provide additional information that is not relevant and has the potential to actually mislead the market, thereby driving up commodity prices and ultimately adversely impacting customers.

**Question 7: Do you agree that the proposal would improve competition?**

We believe that LNG import facilities should continue to be treated as an upstream asset in the offshore market and distinguished from LNG storage, which is a downstream asset. The differences between storage facilities and importation terminals are clearly defined as different legal entities both under UK and European Law. The Gas (Third Party Access) Regulations 2004 refers to LNG storage and LNG import facilities independently. According to guidance issued in 2004 by

Ofgem; “LNG import facility” means a facility for the following:

- (a) the importation of liquid gas;
- (b) the regasification of liquid gas following its importation and prior to its conveyance to a pipeline system operated by a gas transporter; and
- (c) any temporary storage of liquid gas which is necessary for the operation of the facility<sup>1</sup>

Due to the material and operational differences between LNG import terminals and gas storage facilities, terminal operators should not be forced to align themselves with storage information provision best practice. To expect them to do so at the exclusion of other gas entry terminals distorts competition and, it could be argued, represents undue discrimination.

**Question 9: Do you agree with our assessment of the impact of the proposal on short and long term security of supply?**

By failing to distinguish between storage and importation facilities, investment in LNG in the UK could be seen as less attractive than elsewhere due to additional, and in this case unnecessary regulatory requirements. As a result, implementation may lead to reduced security of supply and higher gas prices.

**Question 11: Do you agree that, given current information available, concerns regarding the commercial sensitivity of the information are largely mitigated?**

Notwithstanding our lack of support for this Proposal, unless the data required is aggregated by all LNG importation facilities, the Proposal would only apply to one LNG terminal.

**Question 12: Do you think that if the proposal were implemented prior to more than one LNG importation facility being operational this would be inconsistent with the intent of the proposal to publish aggregate stock information?**

Release of information concerning the LNG facility at Grain would be inconsistent with the intent of the proposal to release aggregated data.

**Additional Comments**

As outlined in our representation to Modification Proposal 0104, E.ON UK does not agree with the assertion in the Modification Proposal that “Importation Operators

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<sup>1</sup> Ofgem, ‘The Second EU Gas Directive and storage regulation Great Britain’, 25 November 2004.

through their contractual arrangements with shippers should...seek to meet the minimum requirements of the Guidelines for Good Practice for System Storage Operators for information provision...” We do not believe there is any direct justification for this since we believe that LNG importation facilities should be treated as an upstream asset in the offshore market, as distinguished from LNG storage, which is a downstream asset.

Currently new LNG importation facilities will not be contractually bound to provide the same information as requested from the Isle of Grain in this Proposal, if this Modification is implemented, the Isle of Grain will be placed in a more “regulated” position compared to any future LNG importation terminal. This raises issues of undue discrimination. Equally, as we consider LNG import terminals to be classed as upstream, we believe that this Proposal, by effectively adding an additional layer of regulation, may distort competition between LNG terminals and other entry facilities.

We believe that the information that this Proposal is seeking publish is already readily available to market participants from other sources. Provision of this information in another form will provide no additional benefit to Users, over what is presently available.

If you have any questions or queries regarding this response, please do not hesitate to contact me.

Yours sincerely

**Alexandra Campbell (by email)**

Trading Arrangements

E.ON UK