

**ExxonMobil International Limited**  
MP 42, ExxonMobil House  
Ermyn Way  
Leatherhead  
Surrey KT22 8UX  
+44 20 7412 2916 Telephone  
+44 20 7412 2470 Facsimile  
ian.r.trickle@exxonmobil.com

**Ian Trickle**  
Europe Regulatory Advisor

**ExxonMobil**  
*Gas & Power  
Marketing*

1 June 2007

Emma King  
wholesale.markets@ofgem.gov.uk

Ofgem Open Letter 18 May 2007  
Ref Mod Proposal 0104

Dear Emma,

ExxonMobil International Limited is responding to the above Open Letter on behalf its affiliate and gas shipping entity ExxonMobil Gas Marketing Europe. It is also representing the views of the South Hook companies (as before) in relation to correspondence on Modification proposal 0104.

### **Scope of the UNC**

Notwithstanding the various interpretation issues associated with this modification proposal it is clear to us that an OM gas service, as Ofgem points out, is one that NGG employs to help ensure the safety, economic and efficient operation of the system. In this case LNG stocks that are directly associated with the OM service would be within the scope of the UNC. We reiterate our preference is for publication to be limited to the inclusion of aggregate stocks of LNG and/or gas that relate to such OM services.

However we strongly disagree with Ofgem's more general assertion that "*arrangements in relation to the gas in store (which may be introduced into the NTS) at LNG Importation Facilities constitute part of the transportation arrangements of the GB gas system and are within the scope of the UNC*".

In disagreeing with Ofgem's general assertion, we make the following observations:

- Physically LNG is not "gas" - processes are required to bring it safely and reliably from its liquid super-cooled state to gas that meets GB transportation specifications and these processes are considerable. Also physically there is no reason why LNG stocks at an LNG Importation Facility could not be loaded onto tankers for export. Although such operations are not a feature of today's markets there is a possibility that this could become a feature of markets in the future.

Registered in England  
Number: 3834848  
Registered Office:  
ExxonMobil House, Ermyn Way  
Leatherhead, Surrey KT22 8UX

An **ExxonMobil** Subsidiary

- The patterns of LNG stock levels depend on the regasification rates nominated by the importers (usually). Stock management is production related and includes storage of liquid gas which is necessary for the operation of a facility.

LNG stocks are **not** held for the specific benefit of NGG or shippers in general. Some or all of the LNG stocks will be held temporarily for the safe and efficient operation of the LNG Importation Facility itself (as recognised in the GB legislation) as well as for the purpose of aiding the management of production (including shipping) operations further upstream.

Only in specific circumstances (OM gas and to an extent, emergency arrangements) can the NTS transporter “command” the rate and location of pipeline gas delivery. Even in these circumstances we believe it is strictly the pipeline gas on the other side of the NTS entry flange that is “within scope of the UNC”, rather than the unprocessed liquid gas in tank.

### **Aggregation of Released Information**

The legal text included in the draft modification report refers to “the aggregate physical LNG in store (in kWh) at LNG Importation Facilities at 05.59 hours on the Preceding Gas Flow Day”. The drafting indicates data is to be provided in tabular form but no example entries were provided to aid interpretation. Two interpretations seem to us to be possible:

1. “Aggregate” is taken to refer to the aggregate of stock attributed to each relevant network code user at each particular LNG facility. “LNG Importation Facilities” in this case would imply there would be an entry in the table for each LNG facility separately specifying the aggregate stock of all such relevant users.
2. “Aggregate” is taken to refer to the sum of LNG stocks over all existing LNG Importation “Facilities” in which case there would be a single data entry in the table.

In the instance of the first interpretation the start of data publication would clearly not depend on how many Terminals were in operation. In the second interpretation additional wording would be needed were it the intention to defer the start of publication until there was more than one Facility operating. We don’t know which interpretation was intended by the proposer nor is it any longer clear which interpretation Ofgem prefers.

### **Conclusion**

We believe that Ofgem’s open letter confirms and even extends the range of interpretation issues associated with modification proposal 0104. Whilst these circumstances exist Ofgem should not, in our opinion, direct implementation of the proposal.