

Steve Smith
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Your Ref: Ofgem doc 276/07

Dear Steve

**Anti-hoarding arrangements at the Isle of Grain LNG importation facility
– open letter**

Energywatch notes the concerns that Ofgem has highlighted in the open letter. There are clearly some undisclosed concerns about the underutilisation of the IoG terminal since the beginning of October 2007. Gas prices have been quite volatile during this period and there have also been early and unanticipated withdrawals of stored gas from Rough.

We would like to understand whether the level of market monitoring that Ofgem is undertaking at Grain I has sufficiently identified any issues which could impinge on the way that capacity at Grain I is being utilised. Energywatch's approved modification UNCI04 should be assisting market players to identify, on a daily basis, the levels of gas-in-store at LNG importation facilities. It would be in the interests of all market players if there is improved transparency and market-based arrangements at Grain I which operate effectively when unused capacity is made available. If the current arrangements are flawed, Ofgem should at least investigate the existing problems and take appropriate action as necessary.

We will continue to keep these issues under review as and when they are raised, always considering the possible impact on consumers who ultimately pay for the costs of gas and would clearly benefit from a more open regime.

If you do wish to discuss our response further please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley
Head of Regulatory Affairs