

## NOTICE UNDER SECTION 23 OF THE GAS ACT 1986

The Gas and Electricity Markets Authority (the "**Authority**") hereby gives notice pursuant to section 23(3) of the Gas Act 1986 (the "**Act**") as follows:

1. The Authority proposes to modify the gas transporters licence treated as granted to National Grid Gas plc ("**the licensee**") in respect of its National Transmission System under section 7 of the Act by removing Special Condition C3: *Restriction of Prices for LNG Storage Services* and replacing this condition with the condition set out in Appendix 1 to this Notice.

2. The reasons why the Authority proposes to make these licence modifications are set out in the following documents:

a. "LNG Storage price control – Initial Thoughts", Ofgem, 3 August 2007, Ref 202/07;

b. "LNG Storage price control – Initial Proposals", Ofgem, 26 October 2007, Ref 262/07; and

c. "LNG Storage price control – Final Proposals", Ofgem, 19 December 2007, Ref 298/07,

all available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE (telephone 0207 901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).

3. In summary, the licence modifications are being proposed because the licensee remains a monopoly provider of LNG storage services and it is in the interests of consumers that provision is made for the continued restriction of prices for such services once the current charges specified in the licence condition cease to apply on 30 April 2008.

4. The effect of the proposed modifications is to maintain the minimum price the licensee is able to charge at the current level (in real terms) in relation to:

a. the provision of certain LNG Storage services to those gas distribution network operators whose networks include independent systems which are operated using LNG; and

b. the provision of Operating Margins to the transmission system operator.

5. Following the end of this statutory consultation, consideration of any representations received and the licensee providing its written consent to the modifications, if the Authority decides having regard to all the facts to make any modifications, it shall modify the licence with effect on and from 1 May 2008.

6. Any representations or objections to the proposed licence modifications must be made in writing (preferably in electronic form) on or before 7 April 2008, to:

Robert Hull,  
Office of Gas and Electricity Markets,  
9 Millbank,  
London,  
SW1P 3GE

or by email to [robert.hull@ofgem.gov.uk](mailto:robert.hull@ofgem.gov.uk).

7. All responses will normally be published on Ofgem's website and retained in the Ofgem Research and Information Centre. However, if respondents do not wish their responses to be made public then they should clearly mark their response as not for publication.



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**Robert Hull,**  
**Director, Transmission**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**  
**10 March 2008**

## Appendix 1

### Special Condition C3.

#### Restriction of Prices for Liquefied Natural Gas (LNG) Storage Services

1. The licensee shall ensure that the charges made by the licensee for the:
  - a. provision of Operating Margins; and
  - b. supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG

for the relevant year commencing on 1 May 2008 and each subsequent relevant year are the charges set out in Tables 1 and 2 below.

TABLE 1

LNG storage facility	Reserved space (pence per kWh per annum)	Reserved deliverability (pence per peak day kWh per annum)	Storage injection (pence per kWh)	Storage withdrawal (pence per kWh)
Glenmavis	A	E	$0.349 * PIT_t$	$0.015 * PIT_t$
Dynevor Arms	B	F	$0.248 * PIT_t$	$0.021 * PIT_t$
Avonmouth	C	G	$0.238 * PIT_t$	$0.024 * PIT_t$
Partington	D	H	$0.323 * PIT_t$	$0.021 * PIT_t$

Where:

- A equals a price in pence per kWh per annum which is the higher of  $1.706 * PIT_t$  or  $0.85 * WAHGPSS_t$ .
- B equals a price in pence per kWh per annum which is the higher of  $2.840 * PIT_t$  or  $0.85 * WAHDAPSS_t$ .
- C equals a price in pence per kWh per annum which is the higher of  $1.463 * PIT_t$  or  $0.85 * WAHAPSS_t$ .
- D equals a price in pence per kWh per annum which is the higher of  $1.086 * PIT_t$  or  $0.85 * WAHPPSS_t$ .
- E equals a price in pence per peak day kWh per annum which is the higher of  $1.233 * PIT_t$  or  $0.15 * WAHGPSS_t$ .
- F equals a price in pence per peak day kWh per annum which is the higher of  $1.815 * PIT_t$  or  $0.15 * WAHDAPSS_t$ .
- G equals a price in pence per peak day kWh per annum which is the higher of  $1.345 * PIT_t$  or  $0.15 * WAHAPSS_t$ .
- H equals a price in pence per peak day kWh per annum which is the higher of  $0.994 * PIT_t$  or  $0.15 * WAHPPSS_t$ .

- WAHG $PSS_t$  equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Glenmavis, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year
- WAHD $PSS_t$  equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Dynevor Arms, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year
- WAH $A$  $PSS_t$  equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Avonmouth, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year
- WAH $P$  $PSS_t$  equals, in respect of the amounts payable by shippers to the licensee in respect of Storage Capacity as part of the supply of LNG storage services provided to shippers by the licensee at the licensee's LNG storage facility at Partington, the average price (weighted by volume) payable by shippers in respect of that ten percent of all such Storage Capacity purchased for which the highest prices were payable by any shipper purchasing such Storage Capacity for the relevant year

TABLE 2

TANKER CHARGES	
Glenmavis tanker filling slots	£3437.50 * $PIT_t$ per annum
Glenmavis tanker filling charge	£250 * $PIT_t$ per tanker filled or partially filled

$PIT_t$  is the price indexation adjustment term, which shall be calculated using the following formula:

$$PIT_t = \left(1 + \frac{RPI_t}{100}\right) \times PIT_{t-1}$$

where  $PIT$  shall take the value 1 in respect of the relevant year commencing 1 May 2007 only and  $RPI_t$  shall be as follows:

$RPI_t$  means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail prices index published or determined with respect to each of the six months from July to December (both inclusive) in relevant year t-1 and the arithmetic average of the retail prices index numbers published or determined with respect to the same months in relevant year t-2

2. For each relevant year for which, and to the extent to which, the licensee charges for the supply of LNG storage services in accordance with paragraph 1 of this condition the licensee, so far as concerns LNG storage arrangements, shall be deemed to have complied

for that relevant year with the provisions of Standard Special Conditions A4 (Charging – General) and A5 (Obligations as Regard Charging Methodology).

3. The licensee shall provide a report in writing to the Authority stating the volume and price of all Storage Capacity sold in respect of each relevant year. This report shall be provided to the Authority as soon as reasonably practicable and in all circumstances by no later than 31 August following the end of the relevant year to which it relates.

4. In this condition "Operating Margins" and "Storage Capacity" shall bear the meaning given to those terms in the licensee's network code as at 16 March 2007.

5. For the purposes of this condition only "relevant year" means a period of twelve months commencing on 1 May at 06:00 hours.