

Information Note

22 November 2010

Ofgem publishes initial proposals for National Grid LNG facilities price control

Ofgem today publishes initial proposals for the price control of Liquefied Natural Gas (LNG) storage facilities run by National Grid Liquefied Natural Gas (NG LNG).

NG LNG owns and operates three LNG storage facilities offering a combination of commercial and regulated services. The regulated services are subject to a price cap set by Ofgem that was last reviewed in 2008. Since then, there have been a number of significant changes in the marketplace which have led NG LNG to ask for a review.

Following consultation, Ofgem's initial proposals include:

- the continuation of price caps, with proposed increases
- the control should only deal with the short term funding of the facilities until March 2013
- long-term funding issues should be considered as part of Ofgem's upcoming transmission and gas distribution price controls, due to be implemented on 1 April 2013.

Ofgem's initial proposals document considers the operating and capital expenditure submitted by NG LNG and will engage in further discussions with interested parties prior to issuing our final proposals.

The deadline for responses to the consultation is 20 December 2010. Ofgem will publish Final Proposals for this control in January 2011.

ends

Notes to editors

1. The document published today presents the regulator's Initial Proposals for the price control of the regulated services supplied by these facilities. It sets out our views on the scope, form and duration of the control, along with the costs and revenues that we consider should be allowed in setting the control. Access the full document online here:
<http://www.ofgem.gov.uk/Networks/Trans/GasTransPolicy/LNGPriceControl/Pages/LNGPriceControl.aspx>

2. In August 2010 Ofgem issued an open letter which informed industry of our intention to conduct this review. We asked for views on the scope, form and duration of the control. We received three responses to that letter. We also held a series of meetings with NG LNG and obtained data to determine the extent of the changes to the business since the 2008 control.

3. NG LNG's three LNG storage sites are situated at Avonmouth, Glenmavis and Partington. NG LNG has announced it will close the Partington site around 2013. Ofgem has reiterated our view that consumers should not be responsible for the decommissioning cost of these sites. But we are keen to ensure that the site is decommissioned in a sustainable manner. Therefore, we would like to examine the potential for incentivising NG LNG to minimise the environmental impacts of decommissioning.

4. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

For further press information contact:

Alison Wright 020 7901 7217