



National Grid, Scotia Gas  
Networks, Gas shippers and  
other interested parties

*Promoting choice and value for  
all gas and electricity customers*

Your Ref:  
Our Ref:  
Direct Dial: 020 7901 7414  
Email: paul.odonovan@ofgem.gov.uk

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Dear Colleague

### **Open letter – LNG Final Proposals**

Ofgem consulted on its Initial Proposals<sup>1</sup> for the National Grid Liquefied Natural Gas (LNG) facilities' price control on 22 November 2010. At that time, we stated that Final Proposals for this control would be published in January 2011.

Since then, there have been operational issues at the Glenmavis site. The liquefier has been shut down, pending engineering investigation. The unit may require substantive work to return to service. Glenmavis will be able to fulfil its supply requirements to the end of this storage year; its capability in the next couple of years is subject to a number of uncertainties.

Due to the above, our focus has been on ensuring that robust alternative arrangements are put in place for those consumers that are dependent on Glenmavis. Therefore, we have been unable to conclude the price control in line with the original schedule. Our current expectation is that new C3 prices will be published for Avonmouth and Partington in February 2011. We also plan to provide an update on Glenmavis at this time.

Given these developments we understand that it is likely that the Scottish Independent Units will be supplied from the Avonmouth facility until the Glenmavis operational issues are resolved. The way the C3 prices are calculated<sup>2</sup> means that this changes the forecast revenue for Avonmouth. We currently envisage that this will have a material (downward) impact on the likely C3 price increase for Avonmouth when compared with that in the Initial Proposals. We would also like to draw the above developments to the attention of parties who are tendering for the provision of operating margins.

If you have any queries on the above, please contact me by email or at the number given above.

**Paul O'Donovan**  
**Head of Gas Transmission Policy**

<sup>1</sup> National Grid LNG facilities price control – Initial Proposals, 22 November 2010, Ofgem ref 143/10

<sup>2</sup> Any shortfall in revenues against costs is recovered through a price increase across the regulated services, on a site specific basis