

**To: National Grid Gas Plc**

**NOTICE UNDER SECTION 23(2) OF THE GAS ACT 1986**

**PROPOSED MODIFICATION OF SPECIAL CONDITION C3 'RESTRICTION OF PRICES FOR LIQUEFIED NATURAL GAS (LNG) STORAGE SERVICES' TO THE GAS TRANSPORTER LICENCE OF NATIONAL GRID GAS PLC**

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 23(2) of the Gas Act 1986 ("the Act") as follows:

1. The Authority proposes to modify the gas transporter licence held by National Grid Gas plc ("the Licensee") granted or treated as granted under section 7 of the Act by amending Special Condition C3: Restriction of Prices for Liquefied Natural Gas (LNG) Storage Services.
2. The numbering of this condition will be modified on 1 February 2013, under RIIO-T1, through a statutory direction from C3 to 11E and this change is expected to come into effect on and from 1 April 2013. For the avoidance of doubt, this change to the numbering of this condition will be taken into account for the purposes of this modification and any reference in this document to Special Condition C3 will include a reference to the future Special Condition 11E under the proposed changes to the Gas Transporters' licence under RIIO-T1.
3. The reasons why the Authority proposes to make this licence modification are to:
  - a. update the restriction of the minimum prices for regulated services from the Avonmouth LNG storage facility to apply from 1 May 2013; and
  - b. reflect the closure of Partington LNG storage facility.
4. The effect of the proposed modification is to:
  - a. continue with the restriction of the minimum prices for regulated services from the Avonmouth LNG storage facility; and
  - b. remove any references to the Partington LNG storage facility.
5. The proposed modification is set out in Annex 1 to this notice.
6. A copy of the proposed modification and other documents referred to in this notice are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
7. Any representations on the proposed licence modification may be made on or before 28 February 2013 to: Bogdan Kowalewicz, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [gas.transmissionresponse@ofgem.gov.uk](mailto:gas.transmissionresponse@ofgem.gov.uk).
8. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

9. If the Authority decides to make the proposed modification it will take effect not less than 56 days after the decision is published.

.....

**Ian Marlee**

**Senior Partner, Smarter Grids and Governance (Transmission)**

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

**31 January 2013**

**ANNEX 1 to NOTICE UNDER SECTION 23(2) OF THE GAS ACT 1986: PROPOSED MODIFICATION OF SPECIAL CONDITION C3 'RESTRICTION OF PRICES FOR LIQUEFIED NATURAL GAS (LNG) STORAGE SERVICES' TO THE GAS TRANSPORTER LICENCE OF NATIONAL GRID GAS PLC**

**Special Condition C3. Restriction of Prices for Liquefied Natural Gas (LNG) Storage Services**

1. (a) The licensee shall ensure that the charges made by the licensee for:
- (i) the provision of Operating Margins; and
  - (ii) the 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 ~~2001~~2013 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)
Avonmouth	W	Y	0.519 * LNGSPIT <sub>t</sub>	0.052 * LNGSPIT <sub>t</sub>
<del>Partington</del>	<del>X</del>	<del>Z</del>	<del>0.224 * LNGSPIT<sub>t</sub></del>	<del>0.080 * LNGSPIT<sub>t</sub></del>

Where:

W equals a price in pence per kWh per annum which is the higher of  
3.189 \* LNGSPIT<sub>t</sub> or 0.85 \* WAHAPSS<sub>t</sub>.

~~X equals a price in pence per kWh per annum which is the higher of  
4.116 \* LNGSPIT<sub>t</sub> or 0.85 \* WAHPPSS<sub>t</sub>.~~

Y equals a price in pence per peakday kWh per annum which is the higher of  
2.932 \* LNGSPIT<sub>t</sub> or 0.15 \* WAHAPSS<sub>t</sub>

~~Z equals a price in pence per peak day kWh per annum which is the higher of 3.767 \* LNGSPIT<sub>t</sub> or 0.15\*WAHPPSS<sub>t</sub>~~

WAHAPSS<sub>t</sub> 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

~~WAHPPSS<sub>t</sub> 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	
Tanker filling slots	£7493.75 * LNGSPIT <sub>t</sub> per annum
Tanker filling charge	£545.00 * LNGSPIT <sub>t</sub> per tanker filled or partially filled

LNGSPIT<sub>t</sub> is the price indexation adjustment term, which shall be calculated using the following formula:

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

where LNGSPIT shall take the value 1 in respect of the relevant year commencing 1 May 2007 only and RPI<sub>t</sub> shall be as follows:

**RPI<sub>t</sub>** 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

(b) The Authority may direct in writing that the requirement set out in paragraph 1(a) shall be suspended for such period of time as the Authority may specify in respect of (i) the provision of Operating Margins and/or (ii) the supply of LNG storage services to any DN Operator whose transportation system includes independent systems which are operated using LNG. Such a direction may be made in respect of one or more LNG storage facility and/or in respect of one or more Operating Margins requirements. For the purposes of this condition only, "Operating Margins requirements" means the Operating Margins procured by the licensee for:

- Supply loss and forecast demand change;
- Compressor failure and pipeline failure, which is further subdivided into:
  - Locational – South;
  - Locational – West;
  - Locational – Wales;
  - Locational – Scotland; and
  - Locational – North
- Non-locational; and
- Orderly rundown

or such other requirements as may be necessary having regard to the licensee's obligations under the licensee's network code and its Safety Case.

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 the start of the Day (as defined in the Uniform Network Code).
6. In this condition "Safety Case" means the safety case prepared by the licensee pursuant to the Gas Safety (Management) Regulations 1996.