

27th March 2020

Dear Kevin

Re South Hook LNG Terminal Company Ltd's application for exemption from regulated third party access for additional capacity

We refer to the Ofgem consultation in respect of the above matter dated 14 February 2020 ("Consultation"). Capitalised but undefined terms used below shall have the meanings given to such terms in the Consultation.

South Hook Gas Company Ltd. ("SHG") holds all firm primary capacity rights to the original exempted capacity at the SHT LNG facility and is the proposed purchaser of all firm primary capacity rights to the Incremental Capacity. SHG appreciates the opportunity to respond to the Consultation and supports Ofgem's minded-to position to grant SHT an exemption from rTPA obligations in respect of the Incremental Capacity at the SHT LNG facility, on the terms and subject to the conditions specified in Appendix 1 to the Consultation.

In respect of the specific questions raised in the Consultation:

- Section 2 questions - SHG agrees with Ofgem's initial views that SHT has met each of the criteria.
- Section 3 question - SHG agrees with Ofgem's initial views that SHT has met this criterion and has no additional observations or comments on the investment risk test.
- Section 4 questions - SHG agrees with Ofgem's initial views that SHT has met this criterion and has no comment on the suitability of the metrics used by Ofgem in its competition assessment.
- Section 5 questions – SHG agrees with Ofgem's initial views that SHT has satisfied the relevant requirements for this criterion to be met. Specifically:
 - (a) SHG supports Ofgem's initial views that SHT has established appropriate secondary trading mechanisms to ensure that unused capacity is used as efficiently as possible. As noted by Ofgem in the Consultation, there are a number of anti-hoarding measures in place at the terminal for the original capacity and the infrequent historic use of secondary trading and UIOLI arrangements does not mean these arrangements are ineffective. SHG advises that its bilateral marketing of spare processing capacity at the terminal attracted particular interest in the current Gas Year, resulting in the delivery of 24 LNG cargoes from 7 counterparties to its toll processing services contracts (see paragraph 5.10.3 of the Consultation). If the exemption is granted as proposed in the Consultation, SHG will implement equivalent arrangements in respect of the Incremental Capacity.
 - (b) SHG believes that the utilisation of spare terminal processing capacity as noted in (a) above supports Ofgem's initial views that no unnecessary barriers to entry exist in respect of the use of SHT capacity via secondary mechanisms.

This response is not confidential and may be published on the Ofgem website.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Simon Hadlington", written over a horizontal line.

Simon Hadlington
General Manager

South Hook Gas Company Ltd