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Dear Customer

### **LNG Storage Services for Storage Year 2011/12**

I am pleased to enclose details of our 2011/12 Annual Storage Invitation (ASI) covering National Grid LNG Storage's services for the Storage Year 2011/12.

#### **Overview of Services for 2011/12**

Following the conclusion of a comprehensive risk and economic review of the LNG storage facilities carried out during Storage Year 2009/10, we confirmed on the 26<sup>th</sup> May 2010 that we would no longer be offering commercial services at our Partington and Glenmavis facilities beyond the end of the current Storage Year (ending 30<sup>th</sup> April 2011). At the same time, we explained that we were still considering the position at Avonmouth but confirmed that, as a minimum, we would make available sufficient Storage Space in Storage Year 2011/12 to allow customers to carry over unused stock from the 2010/11 Storage Year.

Whilst we are continuing to keep under review the longer term provision of commercial services from our Avonmouth facility, particularly in light of the levels of future capital expenditure allowed for by Ofgem in its "National Grid LNG facilities price control – Final Proposals" document which was published on the 21<sup>st</sup> February 2011, I am pleased to confirm that we will be including injection capacity as part of our service offering at the facility for 2011/12.

Please note however that the total amount of storage space and injectability to be made available at Avonmouth will be reduced in comparison to recent years. This is because we have received higher levels of bookings for regulated services at the facility prompted by the uncertainty surrounding future operations at the Glenmavis facility following a number of operational issues at the site.

Indicative quantities of storage capacity available for purchase in Storage Year 2011/12 can be found in Appendix 1 of the ASI. An updated version of Appendix 1 confirming the amounts of capacity to be made available for sale will be published on the 28<sup>th</sup> March 2011.

## **Auction Structure and Prices**

For 2011/12 we will continue to invite applications for storage capacity at our Avonmouth facility by way of a two stage, pay as bid auction process. In line with arrangements introduced in 2008, 75% of the available storage capacity will be offered for sale in stage one with the remaining 25% being made available in stage two. Stages one and two of the auction will be held on the 1<sup>st</sup> and 6<sup>th</sup> April 2011 respectively.

In developing the 2011 ASI we have increased our storage injection charges to reflect changes in the wholesale price of electricity since the charges were last reset. We have also amended the price of our tanker filling slots and our tanker filling charge so as to align them with the proposed revised prices set out in Ofgem's Final Proposals document. All other charges remain the same as for Storage Year 2010/11.

## **Filling Periods for 2011/12**

In light of the level of withdrawals seen so far this year, the current stock level at our Avonmouth facility is 67% based on the total amount of capacity being made available in the 2011/12 Storage Year. As such, we would expect to be able to achieve a fill period of 112 days, although this may change depending on the level of withdrawals that occur during March. Customers are able to access higher injection rates via injection overruns or a transfer of capacity on the secondary market.

## **Next Steps**

If you have any questions in relation to the 2011 ASI, or if you would like someone to visit you to discuss our services in more detail, please contact either myself on 01926 655583 or Dominic Feenan, Operations Support Manager, on 01926 653894 (dominic.feenan@uk.ngrid.com).

Yours sincerely,

**Matt Golding**  
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Enc: 2011 Annual Storage Invitation