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Dear Colleague

LNG Storage Services for Storage Year 2012/13

I am pleased to enclose details of our 2012 Annual Storage Invitation (ASI) covering National Grid LNG Storage's services for the Storage Year 2012/13.

Overview of services for 2012/13

In line with last year's auction process we will be making available capacity from our Avonmouth facility for the Storage Year 2012/13. The indicative quantities of storage capacity available for purchase in the forthcoming Storage Year are set out 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 28th March 2012.

Whilst we are pleased to confirm that we will be offering a full suite of storage and tanker filling services from our Avonmouth facility in 2012/13, we continue to keep under review the provision of commercial services from the facility over the longer term; 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 21st February 2011. We also expect the outcome of the ongoing RIIO T1 and RIIO GD1 price review processes to have a bearing on our considerations as we anticipate that they will provide further information as regards the future requirement for regulated services at our Avonmouth facility from National Grid Transmission and Scotia Gas Networks. Ofgem are due to publish their final proposals for the RIIO T1 and RIIO GD1 price reviews in December 2012.

Auction Structure and Prices

For 2012/13 we 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 previous arrangements, 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 3rd and 5th April 2012 respectively.

In developing the 2012 ASI we have amended the price of our tanker filling slots and our tanker filling charge so as to align them with the regulated charges derived in accordance with Special Condition C3 of National Grid Gas' Gas Transporters' Licence (in respect of the NTS). All other charges remain the same as for Storage Year 2011/12.

Next Steps

If you have any questions in relation to the 2012 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
Business Development Manager, UK LNG
National Grid LNG Storage

Enc: 2012 Annual Storage Invitation