



Tim Davis  
Joint Office of Gas Transporters  
51 Homer Road  
Solihull  
West Midlands  
B91 3QJ

E.ON UK plc  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG  
eon-uk.com

Richard Fairholme  
Tel: 02476 181421  
richard.fairholme@eon-  
uk.com

November 24, 2006

Dear Tim,

**RE: Modification Proposal 0104 - 3rd Party Proposal: Storage Information at LNG Importation Facilities**

E.ON UK does not support this Modification Proposal.

Although we are supportive of greater transparency where parties can clearly articulate why the information will aid market participants in their analysis of supply – demand fundamentals, on this occasion we do not believe that the Proposer has sufficiently contemplated the possible implications of this Proposal and therefore we are unable to lend our support.

We do not agree with the assertion in the Modification Proposal that “Importation Operators through their contractual arrangements with shippers should...seek to meet the minimum requirements of the Guidelines for Good Practice for System Storage Operators for information provision...” We do not believe there is any direct justification for this since we believe that LNG importation facilities should be treated as an upstream asset in the offshore market, which are distinguished from LNG storage which is a downstream asset.

E.ON UK plc  
Registered in  
England and Wales  
No 2366970  
  
Registered Office:  
Westwood Way  
Westwood Business Park  
Coventry CV4 8LG

LNG Storage facilities and LNG importation terminals are clearly defined as different legal entities both under UK and European Law. *The Gas (Third Party Access) Regulations 2004* refers to LNG storage and LNG import facilities independently. According to guidance issued in 2004 by Ofgem; “LNG import facility” means a facility for the following:

- (a) *the importation of liquid gas;*
- (b) *the regasification of liquid gas following its importation and prior to its conveyance to a pipeline system operated by a gas transporter; and*
- (c) *any temporary storage of liquid gas which is necessary for the operation of the facility<sup>1</sup>*

Due to the material and operational differences between LNG import terminals and LNG storage facilities, we do not accept that terminal operators should seek to align themselves with storage information provision best practice and that to expect them to do so at the exclusion of other gas entry terminals is unfair.

Currently, new LNG importation facilities will not be contractually bound to provide the same information as requested from the Isle of Grain in this Proposal. If this Modification is implemented, the Isle of Grain will be placed in a more “regulated” position as compared to any future LNG importation terminal, which clearly raises issues of undue discrimination. Equally, as we consider LNG import terminals to be classed as “upstream”, we believe that this Proposal, by effectively adding an additional layer of regulation, may distort competition between LNG terminals and other entry facilities. In summary, we believe that targeting one particular upstream entry terminal is undue discrimination.

If you have any questions or queries regarding this response, please do not hesitate to contact me.

Yours sincerely

**Richard Fairholme (by email)**  
Trading Arrangements  
E.ON UK

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<sup>1</sup> Ofgem, ‘The Second EU Gas Directive and storage regulation Great Britain’, 25 November 2004