

# News Release

18 December 2009

## **National Grid announces next phase of review of LNG Storage**

- **Start of next stage of strategic review of LNG Storage business**
- **Role of LNG storage has changed greatly in recent years**
- **Review will cover risk and economic aspects of remaining sites**

National Grid has announced the start of the next stage of a strategic review of its UK Liquefied Natural Gas Storage business – which is not to be confused with the company's Grain LNG importation terminal.

It follows the outcome to the company's invitation to shippers this year for expressions of interest in long term capacity, up to 20 years, at its remaining three LNG storage facilities at Partington near Manchester, Glenmavis in Scotland, and Avonmouth in the south west of England.

The outcome of the offer suggested shippers did not place sufficient value on National Grid's LNG storage facilities to justify major investment in them. Had interest been sufficient, National Grid would have considered making the appropriate investment to provide the required LNG storage capacity, injectability (the rate at which gas can be liquefied and placed in storage) or deliverability (the rate at which gas can be regasified and delivered to the transmission system) at suitable levels over the relevant period.

The next stage will involve a risk and economic review of the three remaining sites, and National Grid's commercial customers have been told there will be no commercial liquefaction at any of the sites in summer 2010, pending the outcome of the review, and that it is considering the future of commercial storage services at its LNG storage facilities.

National Grid LNG Storage will continue to provide regulated services to the System Operator and Scotia Gas Networks. These are Constrained LNG and Operating Margins

– an insurance against unplanned events on the NTS and Scottish Independent Undertakings services – and gas supplies via road tanker to four remote Scottish towns.

Built in the 1970s, the three remaining National Grid LNG Storage facilities were originally at the extremities of the gas transmission network, at a time when gas mainly entered the network from the east coast of Britain – North Sea gas.

But, as a consequence of the development of competition in gas storage and changes to the pattern of gas flows within the gas transmission system (resulting from the connection of new sources of supply, such as the Isle of Grain and Milford Haven LNG importation terminals and the building of the trans-Pennine transmission pipeline) the role of these LNG storage facilities has changed greatly in recent years.

Any decision that may be taken to reduce LNG storage volumes will not, therefore, have a material impact on the security of gas supplies. National Grid's LNG storage facilities are used for short term network operational and market requirements and not for long term "seasonal" storage.

Compared with Rough and other UK storage facilities, the total volume potentially involved in this review – up to a maximum of 120 million cubic metres – is equivalent to only one per cent to two per cent of the total storage space currently available.

Also, as well as existing UK gas storage, an additional 600 million cubic metres of storage is currently being commissioned or is under construction, and projects which could provide a further 4.3 billion cubic metres of storage already have planning permission.

Commenting on the next stage of the review, National Grid's Director of UK LNG, Peter Boreham, said: "National Grid needs to ensure its LNG storage business can continue to operate both safely and economically while satisfying the future needs of all customers."

"To this end, we have informed our customers that we are carrying out a detailed review of the role and operation of these facilities and, while no firm decision has yet been made on the future commercial volumes of storage to be offered, they may wish to plan

their stock positions based upon a potential reduction in storage services from May 2011.”

Ends

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**Notes to Editors:**

**National Grid**

National Grid is an international electricity and gas company and one of the largest investor-owned energy companies in the world. We play a vital role in delivering gas and electricity to millions of people across Great Britain and northeastern US in an efficient, reliable and safe manner. We believe the power of action can play a major role in safeguarding our global environment for future generations and tackling the effects of climate change, providing all our customers with the highest standards of service through network investment and through our talented, diverse workforce.

National Grid owns the high-voltage electricity transmission network in England and Wales and operates the system across Great Britain. It also owns and operates the high pressure gas transmission system in Britain and its distribution business delivers gas to 11 million homes and businesses.

National Grid manages the National Gas Emergency Service freephone line 0800 111 999\*.

**\*All calls are recorded and may be monitored.**

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