

Capacity Allocation Methodology

Glossary

Auction -Process for the sale of Capacity in a single bid and allocation phase following consultation with the market about the Capacity offered and under what terms.

Base Shipper – A Terminal Shipper who has long term rights to Capacity and who has the flexibility to store and send out as required, in exchange for ensuring a portion of the minimum send out requirements for the terminal are met and minimum inventory is maintained.

Capacity – Delivery capacity, storage capacity, and berthing slots at the Grain terminal.

Minimum price – The minimum bid value in £/year that GLNG is able to accept, set with reference to GLNG’s Reserve Price Methodology.

Terminal Shipper – A party who has contracted Capacity with GLNG.

Introduction

During this Auction, Grain LNG (GLNG) is offering the maximum possible Capacity to market participants, taking into account technical and operational constraints, in accordance with Articles 15(5) and 17(1) of the Gas Regulation (EC) 715/2009 (as amended, the Gas Regulation)¹, and no capacity is withheld. Capacity will be allocated in accordance with the methodology set out below.

Capacity is available on a non-discriminatory basis, with the same products available to different customers under equivalent contractual terms and conditions (Article 15(1) of the Gas Regulation). Full details of the products and terms are available on GLNG’s website as part of an Auction Notice.

Bidders are invited to submit bids in accordance with the Auction Notice. GLNG will consider all bids, taking into account the minimum duration restrictions, credit and other requirements set out in the Auction Notice and contracts.

Bids will be assessed and Capacity allocated via an allocation process that has been designed to be transparent, objective and non-discriminatory, in accordance with Article 17(2) of the Gas Regulation. The methodology ensures that the allocation will be on the basis of:

Bidders’ willingness to pay – with Capacity being allocated to the market participants that place the highest value on this Capacity (see 3.1), irrespective of who those market participants are

¹ At this time GLNG is unable to offer to the market capacity associated with the first phase of the terminal, as the assets were originally brought into operation in the early 1980’s and further assessment is required to confirm operation is feasible beyond 2030.

As such, the allocation will provide appropriate economic signals to facilitate investment in existing infrastructure, and for the efficient and maximum use of that infrastructure.

GLNG will notify the parties involved, including those whose bids have been rejected, of their allocation by email on the date noted on the Auction Timeline. Acceptance of a bid and Capacity awarded by GLNG to a bidder will have the effect of establishing a Services Agreement between GLNG and that bidder.

GLNG draws bidders' attention to section 7 of the Auction Notice, the disclaimer, and note that it has the right to modify, cancel or suspend the Auction, and has no obligation to accept any bid. Where bids are rejected or the process cancelled or deferred (effectively resulting in rejection of bids), participants will be notified.

1. Allocation Principles

- 1.1. Where the value of the bids meet GLNG's economic test, GLNG may elect to allocate some or all the requested annual Capacity in accordance with the Allocation Methodology below;
- 1.2. Where the value of the bids does not meet GLNG's economic test, then GLNG may invite interested parties to re-submit their bids;
- 1.3. If re-submitted bids remain below the minimum Price, GLNG may elect not to allocate any Capacity or allocate a lesser amount of Capacity, in accordance with the Allocation Methodology below;
- 1.4. If bids are equal value and duration and GLNG cannot allocate the full requested Capacity, a new tie break allocation round may occur, with parties invited to re-submit bids until highest value bid emerges. All participants will receive full details of the process and timeline in this situation.

2. Base Shipper value assessment

- 2.1. The value (Net Present Value) of each Base Shipper bid is calculated based on the unit price³ (£/GWh/Day) offered, the duration of the term being offered and the all the costs to refurbish and maintain the relevant assets in order to provide the capacity.

3. Allocation methodology

- 3.1. Base Shipper bids will be listed in descending order of value, subject to satisfying the requirements of the Reserve Price Methodology.
- 3.2. Capacity will be allocated to the highest value bid first for lot 1 starting in January 2029.
- 3.3. Bids for lots 2 and 3 will then be assessed, and capacity will be allocated to the highest value bid for each respective lot.

Connected Network

GLNG's Capacity is compatible with the connected network, the National Transmission System (NTS), as required by Article 17(2) of the Gas Regulation. Successful bidders are responsible for securing the requisite NTS capacity (note, GLNG is not licenced as a Gas Shipper and is unable to secure NTS capacity on behalf of Terminal Shippers).

Post-Allocation

GLNG's products are designed to provide flexibility for customers and ensure maximum use of Capacity, taking into account possible changes in market circumstances following allocation. GLNG therefore permits and facilitates secondary market trading of Capacity in accordance with Articles 17(2) and 17(3) of the Gas Regulation. GLNG also implements a Use It Or Lose It (UIOLI) mechanism for congestion management purposes to ensure that unutilised Capacity is made available to the market without delay.

This UIOLI capacity is made available on a short-term basis via GLNG's Short Term Framework Agreement and by placing bids using a Confirmation Notice. Full details are available by following the link in section 3.4 of the Auction Notice.

Up to date information on the use and availability of services is available on [GLNG's website](#) to assist existing and potential customers.