

Auction Notice

14th September 2023

Introduction

1.1 Auction Launch

Grain LNG ('GLNG') is delighted to launch this Auction with an offer of primary capacity to the market from as early as January 2029 following the expiry of a number of long-term contracts. An Expression of Interest ('EOI') exercise held in the second half of 2022 and a market consultation run in Q3 2023 demonstrated that there is demand for capacity. This auction is being widely communicated through direct emails to known market participants including all those involved in the EOI and consultation, it is displayed on GLNG's website, and is supported by a press release and advert in the global trade press.

This Auction Notice provides you (the 'Participant') with information about:

- GLNG's terminal and services
- The services on offer as part of this Auction
- The process and timeline
- How to take part and submit bids

Accordingly, we invite you to participate in the Auction which is seeking to culminate in the submission of legally binding bids in Q4 2023. Details of how to respond to our consultation and submit bids can be found in Section 6.3.

1.2 Grain LNG Terminal

GLNG is the largest and most versatile LNG importation terminal in Europe. Following the recent successful Open Season process in 2019, from 2025 the terminal will have 1,200,000m³ storage capacity and over 800 GWh/d of regasification capacity which is equivalent to approximately 33% of the UK's gas demand. As the only terminal in the UK able to process the full range of global LNG specifications, GLNG is undoubtedly not only critical to security of supply but also to diversity of supply.

The Grain terminal has been operational since July 2005 following the conversion of a peak shaving storage facility into an LNG importation terminal through the addition of an LNG receiving jetty and cryogenic pipeline. Today, GLNG has two unloading jetties (capable of receiving vessels between 70,000m³ and 266,000m³), 1,000,000m³ of storage with an additional 200,000m³ storage tank currently under construction, plus associated processing equipment. Technical send out capacity from 2025 will amount to over 800GWh/d with 1,200,000m³ of storage and the commissioning of a second cryogenic unloading line will add further resilience and operational capacity.

GLNG currently offers the following to existing capacity holders ('Shippers'):

- An active customer community affording extensive opportunities for 'in-terminal' trades
- Extensive storage (negating the need for multi-party tank sharing and providing customers with maximum flexibility over their supply and trading operations)
- Reactive infrastructure allowing customers to respond to price signals at short notice
- Access to the NBP and, via the interconnectors, TTF and other European markets
- Entry into a market with high physical demand and heavy dependence on imports
- Two primary UK system entry points (2 x National Transmission System plus Local Distribution Zone with the latter offering cost savings)
- Reloads, cool downs and transshipments
- Access to a rapidly growing small scale LNG market via the multi-bay truck loading facility

Additionally, it is our intention to develop a small-scale LNG break-bulk marine service.

Customer contracts consist of rights to berth and unload a specified number of LNG tankers on specific dates within an Annual Unloading Plan, rights to use a certain volume of LNG tank capacity, and rights to nominate LNG for regasification and send out gas into the adjoining gas networks (up to the Shipper's daily maximum regasification capacity).

In January 2029 a portion of this capacity reaches the end of its contract term with further contracts expiring in October 2029.



2 Proposed Future Service Offering

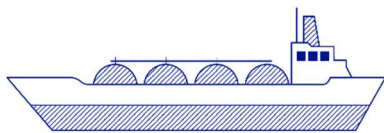
GLNG is pleased to provide the market with an opportunity to secure primary capacity from as early as January 2029. The capacity on offer is all existing and, by refurbishing and upgrading existing assets, GLNG expects to be able to provide very cost-competitive and flexible capacity.

2.1 Capacity Quantities and Commencement Dates

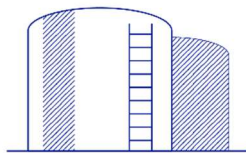
The capacity on offer during this Auction consists of three lots of:

- (i) LNG Storage: 200,000 m³,
- (ii) Delivery Capacity: 125 GWh/d, and
- (iii) Berthing slots¹: 42 berthing slots per annum

Capacity is offered on a bundled basis in the above quantities². The first bundle will be offered from 1st January 2029³ and the second and third bundle will be offered from 1st October 2029. The final amount of capacity that will be allocated following the auction will depend on the levels of interest received in this Auction and provided bids satisfy the reserve price.



42 berthing slots



200,000m³ LNG Storage



125 GWh/d regasification

¹ During 2030, from April until the end of September there will be a 40% berthing slot reduction to allow for planned maintenance

² Note that the capacity is being auctioned on a Base Shipper, long term basis and no short term, discrete Package Shipper capacity is on offer as part of this auction.

³ For the capacity bundles starting in January 2029, storage will initially be limited to 180,000 m³ until October 2029.

Key features:

Three separate capacity bundles consisting of:

- (i) Minimum inventory of 15,000 m³ and Minimum Delivery Estimate to be 6 GWh/d per bundle
- (ii) Full flexibility to nominate between minimum send-out and 125 GWh/d
- (iii) Full flexibility to utilise Storage with no forced send-out to accommodate other customers
- (iv) Flexibility with regards to being allocated a particular pattern of berthing slots in the Annual Unloading Programme via an annual consultation and wider ability to change berthing slots within the Programme year

Recognising differing customer preferences, GLNG is proposing to offer terms that include:

- (i) 5-year term
- (ii) 10-year term
- (iii) or a term ending on 14th July 2045

Following the market consultation it has become apparent that some parties believe the capacity bundles provide a lot of much needed flexibility to primary capacity holders in the GB market whereas some consider them to be too large. GLNG has given this due consideration and believes it important to offer dedicated capacity to market participants, rather than break the capacity up in ways that may be inefficient or sub-optimal. That said GLNG, in addition to welcoming bids for capacity from single entities, is also willing to accept joint bids, i.e., where more than one party join forces to bid for individual lots. This could be done in a number of ways, e.g., through forming a joint venture partnership, via a lead shipper (who then sub-contracts capacity to others via a contractual arrangement behind the scenes), or via a joint bid (where two or more parties enter a single bid on a joint and several basis).

The allocation methodology is to favour bids for capacity which have the highest Net Present Value.

2.2 Contract Structure

Following the outcome of the Auction, successful bidders will be required to enter into the standard form Terminal User Agreement (TUA). Terms to be documented in the TUA include:

- (i) Amount of delivery capacity, storage capacity and annual berthing entitlement allocated to the relevant New Shipper (capacity holder)
- (ii) The term for which the New Shipper is to hold and pay for such capacity, and
- (iii) Annual Capacity Charge payable in respect of the above services

Once entered, the TUA gives effect to the GLNG New Shipper General Terms and Conditions and the New Shipper Access Code which together shall comprise for that New Shipper, its Services Agreement (see Annex 1 and 2).

The GLNG New Shipper General Terms and Conditions contain standard terms which are applicable to the new services including:

- (i) General terms for the provision of services by GLNG
- (ii) Terms as to payment and other financial terms
- (iii) General and legal provisions
- (iv) Definitions and interpretation rules

The New Shipper Access Code contains those terms specific to the berthing, unloading, and processing of LNG which are applicable to the new services, including:

- (i) Terms relating to capacity in the terminal and Annual Capacity Charges
- (ii) Terms relating to the berthing and unloading of LNG tankers
- (iii) Terms relating to the storage of LNG and delivery of gas
- (iv) General terms relating to the new services
- (v) Rules for measurement, analysis, and calculation in relation to the new services

2.3 NTS Capacity

National Gas is the Transmission Owner (TO) and System Operator (SO) of the GB National Transmission System (NTS). Under its TO role National Gas is obliged to ensure that adequate NTS capacity is available to support NTS customers' gas flow requirements.

To manage this process National Gas makes available NTS entry capacity which provides an NTS gas shipper who has booked entry capacity the daily right to flow gas into the system up to an agreed flow rate. Entry capacity is made available in quarterly, monthly or daily strips via a suite of long and short term reserve price auctions.

The current level of firm entry capacity (known as 'obligated' capacity) at the Grain System Entry Point (SEP) is 699 GWh/d with the potential to increase following the outcome of the 2019 Open Season (which has led to an aggregate capacity requirement of ca.800GWh/d from mid-2025).

More information can be found here: [System Entry Capacity Allocations](#)

3 Regulatory Requirements/ Overview

3.1 Current Regulatory Arrangements

Currently, all three of the LNG terminals in the UK, including the Grain terminal, have been granted exemptions from Regulated Third Party Access (rTPA) requirements. Each has demonstrated that it meets the exemption criteria listed in section 19C of the Gas Act. GLNG's exemptions have expiry dates phased between 2025 and 2033. New and existing capacity sold following the successful outcome of the Open Season conducted in 2019, fall under the rTPA regime.

3.2 Future Regulatory Arrangements

GLNG will continue to operate under its existing exemptions until they expire. Capacity sold via this Auction will fall under rTPA, with GLNG making capacity available to the market on a transparent, non-discriminatory and open basis in accordance with the relevant regulations.

3.3 Regulated Third Party Access (rTPA)

As an LNG operator, GLNG currently has an obligation to comply with the EU Third Energy Package, Gas Regulation and Gas Directive, along with the relevant provisions transposed into the Gas Act (1986). This includes complying with regulated Third Party Access (rTPA, or TPA) rules. These are designed to ensure that LNG facilities are accessible to the market in an objective, transparent and non-discriminatory manner.

For example, TPA provisions require LNG operators to offer the maximum capacity available at their facilities to market participants; to consult the market on the services that they may provide; and provide market participants with a mix of services under non-discriminatory terms and conditions. The provisions further require that tariffs, or the methodologies underlying their calculations are approved prior to their entry into force by a regulatory Authority.

Ofgem sets out its views on how TPA should be implemented in the UK in a guidance document available here: [Ofgem rTPA Guidance Document](#)

Ofgem states that it is important that “rTPA arrangements are effective in the context of the GB market – a market where investment decisions are driven by market signals” (Executive Summary, p. 1). GLNG agrees that TPA rules need to be implemented carefully to reflect the crucial role that LNG plays in the functioning of the energy markets.

LNG is set to become an increasingly important source of supply in the coming years. It provides security and diversity of supply at a time when UKCS stocks are depleting. The connectivity of the global LNG market introduces price competition, and new and improved technology is driving down the cost of production, helping market liquidity.

3.4 Use it or Lose it (UIOLI)

GLNG currently has anti-hoarding mechanisms to ensure that any unused capacity at the terminal is made available to the market. This 'Use It Or Lose It' (UIOLI) principle will continue to apply post-2029 – capacity not being utilised by capacity holders will be offered to the market at least 7 days prior to the berthing slot date. Participants will be required to agree to comply with GLNG's UIOLI mechanisms.

The UIOLI and secondary market mechanisms are described in detail on the GLNG website via the following link: [Grain 3rd Party Access Guide](#)

3.5 Information Provision and Transparency

An important part of the regulations governing LNG facilities concerns data provision and transparency.

GLNG publishes information to ensure that we fulfil these requirements, including:

- Detailed information regarding the services we are offering and relevant conditions applied (as per Gas Regulation Art. 18.1)
- Contracted and available capacities, on a numerical basis – this will also be updated following the Auction (as per Gas Regulation Art. 18.2)
- Up to date operational information such as quantity of LNG in storage (as per Gas Regulation Art. 18.4)

GLNG also takes care to protect any confidential or commercially sensitive information relating to the operation of the facility.

4 Credit Rating and Security

The minimum credit rating requirements for Participants or any Security Provider (a person which provides or is to provide any guarantee or other surety or security in respect of the New Shipper's obligations under a Services Agreement) for a Participant to enter into a binding contract with GLNG will be:

- (i) in the case of the Participant or a Security Provider which is not a bank or other regulated financial institution, a long-term and non-credit enhanced unsecured debt rating from two of the three rating agencies; of at least BBB (as determined by Standard & Poor's or Fitch) and at least Baa2 from Moody Investor Service and with stable outlook, which the Participant or Security Provider is required to maintain at all times; or,
- (ii) in relation to a Security Provider which is a bank or other regulated financial institution, a long-term unsecured debt rating no lower than A (with stable outlook) from Standard and Poor's or Fitch and A2 (with stable outlook) from Moody's Investor Service.

GLNG will consider alternative forms of security on a case-by-case basis, e.g., where the Participant or Security Provider is rated by an alternative rating agency to those mentioned above.

Where so required, the Participant must furnish indicative guarantees or a suitable Letter of Credit in favour of GLNG. The guarantees or other security required must be in the form required by GLNG before the deadline for submission of firm bids and must cover firstly the period from contract signature to the Effective Date under the contract, and then the operational life of the contract itself. The guarantor or provider of the Letter of Credit must confirm that they have approved the form of the relevant document and that they are in principle willing to enter into the Guarantee or provide the Letter of Credit (as required) should the Participant be successful in the auction and enter into binding contractual documentation with GLNG.

5 Capacity Award and Allocation

5.1 Allocation Methodology

Following the deadline for submission of binding bids in the auction (see Section 6 for timeline), GLNG will allocate capacity on the basis of the Allocation Methodology provided in full in Annex 6.

The Allocation Methodology sets out the principles that GLNG will apply when assessing the bids received as part of this Auction. The allocation process is designed to allocate capacity on the basis of bidders' willingness to pay. It will be objective and non-discriminatory.

The methodology formed part of the recent consultation and the latest version at Annex 6 has been approved by Ofgem.

5.2 Economic Test

When assessing whether bids meet the minimum price requirements for capacity made available by refurbishing and upgrading existing infrastructure and when allocating capacity, GLNG will assess if the value of bids individually and in aggregate is high enough, taking into account the unit price, duration and quantity.

If the total value does not reach the required level for all capacity offered, then GLNG will aim to accept bids for individual bundles of the capacity which do meet the required threshold.

6 Timeline and Next Steps

6.1 Phases

This Auction has two phases, as per the process set out in Ofgem’s guidance document with the first phase now complete:

Phase 1 - market consultation

- Participants are invited to share their views on the proposed service offering and terms and conditions
- Feedback will be collated and assessed, and where appropriate the auction procedure updated to reflect such feedback. Feedback will be treated as confidential but is expected to be shared with Ofgem

Phase 2 - binding bids to be submitted and capacity to be allocated

- Finalised contracts will be shared by GLNG and will form the basis on which binding bids will be solicited
- Participants to submit binding bids
- Capacity allocated and awarded in accordance with the Allocation Methodology

6.2 Indicative Timeline

Event	Date
Phase 1 - Market consultation	
Issue Auction Notice and associated documents	14 th June 2023
Deadline for consultation responses	26 th July 2023
Phase 2 - Auction	
Final terms and conditions issued	14 th September 2023
Deadline for submission of binding bids	23 rd November 2023
Capacity allocated and results communicated ⁴	December 2023
Final regulatory approvals received	December 2023

⁴ GLNG anticipates that it will be able to inform unsuccessful bidders within the ca.4 week period of submission indicated above, while successful bids may need to remain open for the bid validity period provided in the Form of Bid to allow additional time for the regulatory approval process. Information on bids accepted, including the name of the successful bidder(s) and the capacities awarded, will be issued by press release and will appear on GLNG’s website shortly after regulatory approval.

6.3 Process for Submitting Feedback and Bids

6.3.1 Consultation Feedback

This phase has been completed.

6.3.2 Auction and Submission of Binding Bids

The auction will be of closed, first-price sealed bid type and following notification by GLNG that the project is proceeding to Auction, binding bids must be submitted in writing in the Form of Bid Annex 4 and enclosed in a sealed envelope.

The envelope must be marked with:

- a. Your company name or, in the case of a joint bid, names
- b. "Capacity 29 – Form of Bid: Binding Bid"

These bids shall be delivered by hand or by registered mail to:

Attention Holly Blew,
Commercial Department,
National Grid Grain LNG Limited,
Rochester,
Kent,
ME3 0AB,
United Kingdom.

A scanned copy should also be sent by email to:

box.GLNGCommercial@nationalgrid.com

holly.blew@nationalgrid.com

To be eligible, binding bids in the correct format must be received before 5pm GMT on **23rd November 2023**.

7 Disclaimer

Participants are reminded of the sensitive nature of the Auction and that the existence and contents of subsequent discussions and communications will be confidential and should not be disclosed to third parties without GLNG's explicit consent. While GLNG recognises some parties may wish to discuss sharing of capacity and submission of bids on a joint basis, any parties found to be colluding (e.g., to fix the overall auction price) will immediately be rejected from the Auction and in certain circumstances this may, at GLNG's discretion, lead to the Auction being cancelled or deferred and rerun. GLNG would particularly remind joint bidders of the requirements around confidentiality and the necessity for non-collusion on pricing. Participants are also reminded of the Confidentiality Agreement signed with GLNG at the commencement of this process.

GLNG reserves the right, at its sole discretion and at any time, to modify, suspend or cancel the Auction. GLNG shall have no obligation to accept any bid. GLNG shall not bear any liability whatsoever as a result of any modification, suspension, cancellation or termination of the Auction, the rejection of any bid or the acceptance of another bid.

Nothing in this document or in any communications related thereto shall be deemed to be a contract, agreement or commitment of any kind (including a commitment to enter into a contract). Any binding contractual obligation will only result from entering into definitive legal documentation and shall be subject to the terms and conditions set forth therein.

Any opinions expressed by GLNG are expressed in good faith and while every care has been taken in preparing these documents, GLNG makes no representations and gives no warranties of whatever nature in respect of these documents, including but not limited to the accuracy or completeness of any information, facts and/or opinions contained therein. GLNG, its associated companies, the directors, employees and agents cannot be held liable for the use of and reliance of the opinions, estimates, forecasts and findings in these documents. Each Participant is required, as part of the process, to fully evaluate all of the information and reach its own independent conclusions upon the accuracy and completeness of anything detailed in these documents. Each Participant will bear all costs of its own evaluation (including the fees and expenses of any of its external professional advisers) whether or not its bid is accepted or rejected for any reason whatsoever, which will be at GLNG's sole discretion.

8 List of Annexes

Annexed to this Auction Notice are the following documents, which form part of the Auction process:

Annex 1: New Shipper General Terms and Conditions (GTCs)

These are the general terms and conditions under which GLNG will operate

Annex 2: New Shipper Access Code (SAC)

These are the terms specific to the berthing, unloading and processing of LNG which are applicable to the new services

Annex 3: Terminal User Agreement (TUA)

This is a template which will be used to capture Shipper-specific information and, together with the GTCs and SACs, will form the basis of the agreement between GLNG and Shipper

Annex 4: Form of Bid

Participants must submit a compliant bid by completing the form in accordance with the requirements set out in this Auction Notice

Annex 5: Network Entry Provisions

These network entry provisions are contained within GLNG's Network Entry Agreement with National Gas in respect of the NTS and LDZ connections, as amended from time to time

Annex 6: Allocation Methodology

GLNG's allocation methodology document setting out how capacity will be allocated