

9 February 2015

Dear Sir/Madam,

Public Consultation on the Oil & Gas UK proposal to amend the Gas Network Codes CAM and BAL in order to retain the UK Gas Day

South Hook Gas Company Ltd. (SHG) manages and owns the capacity at one of Europe's largest LNG terminals, the South Hook LNG Terminal located at Milford Haven in South West Wales, as part of the Qatargas 2 value chain.

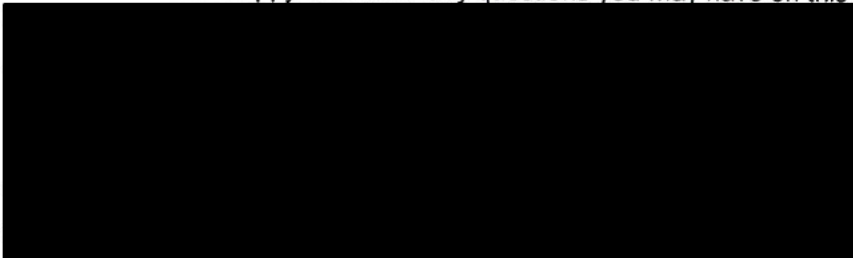
SHG welcomes this opportunity to respond to the proposed amendment to the Network Codes on Capacity Allocation Mechanisms and Balancing (the "EU Network Codes") which would permit the UK and Ireland to retain their existing gas day of 6am – 6am. SHG is concerned that a change in gas day will be detrimental to the UK market and may threaten the liquidity of the NBP, potentially impacting on the UK's ability to attract LNG supply. We therefore support the amendment and urge ACER to pursue the amendment request.

It is our understanding that, although the scope of the required gas day change is limited by the EU Network Codes to the downstream networks, a corresponding change in the upstream gas day would be required to maintain a well-functioning market. Indeed, it is entirely logical that in order to balance the system, both the upstream and the downstream need to operate a common gas day. The reported cost of implementing a gas day change upstream is in the region of £40-50 million (excluding contingencies). Furthermore, the implementation of the new gas day is likely to be extremely cumbersome for the upstream, especially those operating older fields with inflexible metering. Should the upstream be unable to implement the change, shippers will face the risk of imbalance charges and may decide to manage this risk by trading at the beach rather than the NBP. The result would be a reduction in market liquidity.

The principal attraction of the UK gas market to LNG suppliers lies in the liquidity of the NBP. SHG is concerned about any action that could have an adverse impact on this liquidity and future LNG supply. Ultimately a lack of liquidity could compromise security of supply, with any reduction in NBP liquidity being felt not only in the UK, but also in continental Europe, which has benefited from the movement of price-responsive gas through the Bacton-Zeebrugge Interconnector when demand dictates.

SHG agrees with the points raised by Oil and Gas UK and the Gas Forum in their various letters to ACER. In particular, we agree that there seems to be little or no discernible benefit to EU consumers from the proposed change in gas day. In fact, we believe that there is a risk that existing effective cross-border trading practices will be adversely impacted, in turn reducing competition in EU gas markets. SHG supports the proposed solution that the UK and Ireland retain their current gas day, with other Member States or TSOs implementing the network code amendments where necessary.

SHG remains supportive of the Third Energy Package and the network codes in general. We strongly urge ACER however to consider the implications of changing the gas day in the UK as outlined above.

We are more than happy to answer any questions you may have on this response. Please contact  in the first instance.