



Access to Secondary Terminal Capacity at South Hook LNG Terminal (Milford Haven)

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1. Introduction

This guide is intended to assist those parties seeking access to Secondary Terminal Capacity at South Hook LNG Terminal in Milford Haven, West Wales (Terminal).

This guide describes the facilities available at the Terminal, the nature of the Secondary Terminal Capacity a party may access and the different methods of accessing such capacity. It also sets out the process by which a party may become an Additional User at the Terminal and a guide of how to participate in a use it or lose it (UIOLI) Capacity Auction, should an Additional User decide to access Secondary Terminal Capacity in this way.

Note: The rules for access and use of the Terminal are contained in the commercial documentation and will be provided via Terminal Access Code (TAC).

The Terminal is operated by South Hook LNG Terminal Company Ltd (Terminal Operator). South Hook Gas Company Ltd (SHG) has acquired all Firm Primary Capacity rights at the Terminal.

Additional Users can purchase Secondary Terminal Capacity from SHG, and hold such capacity, in the form of a South Hook Bundle (SHB). Once a SHB has been created and purchased by an Additional User, it can be sold to other Additional Users.

A SHB comprises a single berthing slot, Firm Redelivery Capacity and LNG storage space for a defined period of days (SHB Period). These parameters are all as agreed by SHG when making the original transfer, except in the case of an UIOLI Auction process. The Additional User must nominate redelivery of all the LNG unloaded within the SHB Period.

There are a number of ways by which an Additional User can access Secondary Terminal Capacity:

- By agreeing to purchase a SHB with SHG;
- By participating in an auction conducted by the Terminal Operator (as and when Secondary Terminal Capacity is available); and
- By agreeing SHB transfers with other Additional Users.

SHG can also offer LNG processing services to others for periods when it is not using all the Terminal Capacity for its own business needs. These arrangements would not require the interested LNG owner to become an Additional User at the Terminal, and are not covered in this guide. Interested parties should approach SHG (www.southhookgas.com) directly about any such arrangement.

2. South Hook Terminal Facilities

The Terminal facilities comprise of:

a. Jetty and Unloading Facilities

Two berths to unload LNG tankers of sizes between 125,000m³ and 267,000m³;

b. LNG Tanks for Temporary Storage

Five storage tanks with a working capacity of 155,000m³ each;

c. Submerged Combustion Vaporisers (SCVs)

A total of fifteen SCVs to support a firm daily Redelivery Capacity equivalent to 15.6 million metric tons per annum [mtpa] lean LNG (21 billion cubic meters per annum [bcma] gas)

d. Nitrogen Plant

The rate of nitrogen ballasting capacity may limit the Redelivery Capacity rate that can be achieved. Nitrogen ballasting facilities have been designed and constructed on the assumption lean LNG produced in Qatar will be delivered at the Terminal.

3. How to become an Additional User

A party wishing to have access to secondary Terminal Capacity must become an Additional User. In order to become an Additional User the party must:

- Demonstrate to the Terminal Operator that the necessary arrangements are in place for the redelivery of regasified LNG to the NTS
 - Pay a non-refundable application fee of £10,000;
- and
- Sign a Terminal Access Agreement (TAA) (under which the TAC is provided and made binding).

A party may become an Additional User without having already made specific arrangements to acquire secondary Terminal Capacity (but as described in Section 4 – Access to secondary Terminal Capacity, additional requirements apply when an Additional User acquires a SHB).

In order to become an Additional User the following steps must be followed:

a. Download the standard Confidentiality Agreement that can be found at www.southhooklng.com, complete all details as required, print and execute two (2) originals of that Agreement.

Applicants are advised that this is a standard document applicable to all applicants and material amendments will not be accepted.

b. Send:

- The executed originals of the Confidentiality Agreement;
- and
- A letter of application stating:
 - Name and address of the applicant's registered office or equivalent;
 - A brief summary of the applicant's interest and participation in the LNG/Gas market;

by registered post to the Terminal Operator:

Address: South Hook LNG Terminal Company Ltd

Level 28

The Shard

32 London Bridge Street

London

SE1 9SG

Telephone: +44 (0) 20 7367 4093

Contact: Commercial Adviser

Email: Eakkaya@SouthHookLNG.com

c. Upon receiving the executed Confidentiality Agreement and letter of application, the Terminal Operator will send the applicant:

- Counter-signed executed original of the Confidentiality Agreement;
- Payment instructions for the application fee of £10,000.

d. The applicant must pay the application fee in accordance with the payment instructions.

e. The applicant must:

- Complete and execute two (2) originals of the TAA; and
- Send the form and two (2) originals of the TAA by registered post to the address set out under paragraph b. above.

After successful verification of the relevant information supplied by the applicant, the Terminal Operator will counter sign and return executed originals of the TAA.

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4. Access to Secondary Terminal Capacity

4.1 Primary Terminal Capacity

As described under Section 1 – Introduction, SHG has acquired all Firm Primary Capacity rights at the Terminal.

SHG Terminal Capacity rights comprise:

- Firm rights to berth LNG tankers with loaded capacities between 125,000m³ and 267,000m³ within identified arrival windows (Berthing Slots), and to unload an agreed quantity and quality of LNG;
- Firm temporary LNG storage space within the Terminal that initially matches the firm LNG quantity to be unloaded (LNG Space); and
- Firm rights on any given day to have regasified LNG redelivered at the tailgate of the Terminal immediately prior to the entry flange to the NTS (Redelivery Capacity).

4.2 Access to Secondary Terminal Capacity

Secondary Terminal Capacity rights can be accessed (in the form of a SHB) either by agreement with SHG, by bidding for them in a UIOLI Capacity Auction or by way of Capacity Transfers with other Additional Users.

SHG can transfer Terminal Capacity to an Additional User only as a SHB comprising a specified Berthing Slot and an amount of firm Redelivery Capacity and LNG Space for a defined SHB Period. SHG can also transfer firm Redelivery Capacity to Additional Users that already hold a SHB, for any Gas Day(s) in the SHB Period. The additional firm Redelivery Capacity will be added to the existing SHB.

An Additional User who holds a SHB may only transfer the whole of the SHB to another Additional User. An Additional User cannot transfer part of the Terminal Capacity in an SHB.

In addition, all Users may on any particular Gas Day have access to purchase additional Interruptible Redelivery Capacity made available by the Terminal Operator.

Where an Additional User wishes to purchase Terminal Capacity from SHG (or another Additional User) as a bilateral transfer, both parties to the Capacity Transfer must jointly notify the Terminal Operator of such transfer. The Terminal Access Code and the electronic Terminal Access and Planning System (TAPS) set out the detailed mechanism for such transfer and notification. A fee is payable by the transferee Additional User.

The Terminal Operator has set up a system which enables Terminal Users to give and receive communications to and from the Terminal Operator. TAPS is an online access system and is the primary means of communication with the Terminal Operator.

SHG is always liable to pay Capacity Charges to the Terminal Operator for its Primary Terminal Capacity rights. The Additional User is liable to pay Secondary Terminal Capacity charges directly to SHG. All Terminal Users pay to the Terminal Operator a Redelivery Charge (which covers variable costs in relation to Terminal Operations) and charges for any Interruptible Redelivery Capacity acquired.

For the procedure on how to participate in a UIOLI Capacity Auction, please refer to Section 5 – UIOLI Auction Process of this guide.

4.3 LNG Quality

As noted in Section 2 – South Hook Terminal Facilities, the Firm Daily Redelivery Capacity rate is achieved when the LNG specification is that of lean LNG production from Qatar or similar.

For each scheduled LNG unloading (and so, each SHB), an LNG composition (as to components affecting CV and Wobbe Index) must be nominated by the relevant User. The nominated LNG composition is one of the parameters of a SHB, to be agreed with SHG when the SHB is established. Where a SHB has a nominated LNG composition with a higher CV/Wobbe Index than lean LNG production from Qatar, the Effective Redelivery Rate of the Terminal is reduced (this reduction is applied to SHG's remaining Redelivery Capacity net of the Transferred Capacity in the SHB).

4.4 Use of Secondary Terminal Capacity

An Additional User must comply with all of the requirements of the TAC in relation to the SHBs it holds. Some of these requirements operate as preconditions to the use of Terminal Capacity under a SHB. Such requirements include the following:

4.4.1 Credit Requirements

An Additional User must comply with the Terminal Operator's credit policy (set out in the South Hook Manual (SHM)). The credit requirements relate to the redelivery charge (and potentially any other amounts which the Additional User may owe the Terminal Operator).

For each SHB, credit requirements must be satisfied no later than 15 days before the start of the SHB Period.

4.4.2 Approved Tankers

A User may only use an LNG Tanker which is approved by the Terminal Operator. Vetting and approval procedures are covered in the SHM.

Additional Users are also encouraged to submit a list of the LNG tankers they propose to use for deliveries of LNG to the Terminal and to make this submission well ahead of the arrival window for the relevant tanker. The Terminal Operator will make a charge for the vetting procedure and details of this and other terms and conditions applicable to the vetting of LNG tankers, are set out in the relevant section of the SHM.

4.4.3 NBP Deliveries

In certain circumstances, the Terminal Operator may comply with its obligation to Redeliver Regasified LNG on any particular day to an Additional User, by delivering gas at the NBP to that Additional User (or its nominee).

Arrangements for NBP delivery are set out in the TAC. Additional Users must put in place standing arrangements to facilitate NBP delivery. Under the TAC these arrangements are required to be put in place before (and as a pre-condition to) the first occasion on which an Additional User acquires a SHB.

4.4.4 User Requirements

The Additional User will be responsible for arrangements for delivery of its regasified LNG into the NTS from the Terminal. These arrangements will include holding a Shipper Licence, being a party to National Grid's Network Code, acquiring the necessary NTS Entry Capacity, and Claims Validation arrangements. The Additional User may itself be a shipper or make its own independent arrangements with third parties in respect of the shipping of the regasified LNG through the NTS. Under certain circumstances, SHG may transfer NTS entry capacity to an Additional User in connection with a Release SHB.

5. UIOLI Capacity Auction Process

Where there is forecast of sufficient unused Redelivery Capacity and scope for an additional Berthing Slot, the Terminal Operator will offer an additional SHB (a Release SHB) to Additional Users.

Release SHBs have a fixed 7 day duration (SHB Period) and are offered 14 days ahead of the berthing slot. The Terminal Operator will define the amounts (or ranges for the amounts) of Terminal Capacity available to be comprised in the Release SHB. When evaluating whether there is sufficient unused Redelivery Capacity, the Terminal Operator will also have to take into consideration any known limitations in NTS pipeline flow capability at the Milford Haven System Entry Point. Additional Users can apply via Terminal Operator's Electronic Bulletin Board for Release SHBs and offer the price (£/GWh of Redelivery Capacity) they are willing to pay.

If the Terminal Operator's forward projections show that SHG Inventory levels do not allow enough LNG Space for a Release SHB but there is berth availability, the Terminal Operator may offer an Advance Release SHB. Under this mechanism, the SHB Period commences before the unloading (i.e. before the Berthing Slot) and inventory is loaned by SHG to the Additional User for this period to enable it to redeliver LNG consistent with the SHB.

Release SHBs are offered by the Terminal Operator on behalf of SHG; and an Additional User whose application is accepted enters into a Release Capacity Transfer Agreement (in the form contained in the TAC) with SHG for the SHB, under which the Terminal Capacity is transferred by SHG to the Additional User, and the Additional User pays the offered price to the Base User. Under the Release Capacity Transfer Agreement, the Additional User must comply with SHG's credit requirements.

In certain cases, applicants for a Release SHB have the option of applying for a matching amount of NTS entry capacity for each Gas Day in the SHB Period.

UIOLI Capacity Auctions will be held and administered by the Terminal Operator. They will be conducted as follows:

- Fourteen days in advance (D-14) of each day (D) the Terminal Operator will assess whether a Release SHB can be made available. If so, the Terminal Operator will advertise an UIOLI Capacity Auction to all Additional Users, specifying Day D (the date of the berthing slot), the duration of the SHB period and whether matching NTS entry capacity is available.
- Between D-14 and D-10 Additional Users may make 'bid enquiries'. A bid enquiry specifies LNG cargo size, LNG composition and name of approved LNG tanker. The Terminal Operator will respond (via the TAS) to each bid enquiry indicating whether it is feasible within the range of Terminal Capacity identified for the UIOLI Capacity Auction and (if so) confirm the Berthing Slot date. If the Berthing Slot date is later than day D the SHB would be an Advance Release SHB. Where the Terminal Operator indicates that a bid enquiry is feasible, it will notify the Additional User of the reserve price (if any) and the Additional User may confirm the bid by posting the offered price. If a bid enquiry is not confirmed it has no effect.

The Terminal Operator may, at any time while the UIOLI Capacity Auction remains open, cancel the auction, in which case all bid enquiries and confirmed bid enquiries lapse.

- On D-10 the Terminal Operator will select the winning bid (applying the selection criteria in the SHM), subject to any reserve price; and announce the UIOLI Capacity Auction result. The Terminal Operator will execute the Release Capacity Transfer Agreement in respect of the relevant Release SHB on behalf of the Base User, which will operate as acceptance of the Additional User's bid.
- The Additional User must then comply with the terms of the Release Capacity Transfer Agreement, including credit requirements and payment of the offered price. The Additional User must also pay the capacity transfer fee and any other costs that may arise from making its application.



6. Legal Documentation

The relevant legal documents applicable to use of the Terminal are:

- Terminal Access Code (TAC): The TAC contains the terms and conditions applying between the Terminal Operator and Users (both SHG and Additional Users) on which Terminal Capacity may be held and used.
- Terminal Access Agreement (TAA): The TAA is a short bilateral agreement between a User and the Terminal Operator. It incorporates and gives contractual effect to the TAC.
- South Hook Manual (SHM): The SHM sets out detailed technical and procedural requirements in support of the TAC, including the web-based Terminal Access and Planning System (TAPS) for commercial communications, LNG tanker vetting, ship-shore procedures. It also includes the detailed UIOLI Capacity Auction procedures and the Terminal Operator's credit policy. The TAC makes the SHM binding on Users.
- Network Entry Provisions (NEPs). The NEPs are provisions relating to gas specification and measurement (relevant to the terms of a User's service at the Terminal) incorporated in the Network Entry Agreement (NEA) between the Terminal Operator and National Grid Gas in respect of the UK National Transmission System (NTS).

In addition, before copies of the above documents are made available to a prospective Additional User, a Confidentiality Agreement must be signed in favour of the Terminal Operator (see Section 3 – How to Become an Additional User).

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