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NATIONAL GRID PUBLISHES SECOND CONSULTATION ON ENERGY SUPPLIES FOR NEXT WINTER

- **New major import projects remain on track for completion by winter, although uncertainty remains**
- **Gas supplies could be tighter if new pipes and terminals are delayed or not used to capacity**
- **Rough gas storage back in service and is expected to be full in time for winter**

National Grid now has more accurate information on the situation this winter (2006-07), published today (Tuesday) in its second report on energy supplies, which follows the initial consultation in May, to which over 30 industry parties responded.

The major new import projects are still on track and Britain's largest gas storage facility, Rough, is now expected to be filled in time for winter. But there are still uncertainties regarding the completion of these new import facilities and supplies could still be tight next winter.

Ofgem's Chief Executive, Alistair Buchanan, said: "When National Grid published its first winter consultation in May, there was uncertainty over Rough gas storage. Now we know that Rough is expected to be filled in time for winter and this is certainly good news, but now is not the time for complacency as there is still a great deal of uncertainty about gas imports this winter and supplies could be tighter if pipes and terminals are not used to capacity or are delayed.

"What we need to prepare for a tight winter is clear, accurate information about how much gas will flow into the UK this winter from Norway and continental Europe. Crucially, we still lack transparent information about gas demand, supply and storage on the continent, which makes it hard to see the full picture. There has been some progress with much greater transparency in France and the Netherlands, but there is still significant room for improvement.

"In the UK Ofgem is doing all it can to improve transparency. We have approved a change so that the whole British market will now see real time information on North Sea gas supplies and we have also placed new incentives on National Grid to improve the accuracy of its demand forecasts and the reliability of the gas information on its website. What we now need is similar commitment to openness in Europe."

Ofgem is also continuing with its highly successful seminars for industry and energy buyers to help them understand the energy outlook for this winter and is using these seminars to share the information we have learned about potential supplies from Norway and Europe from our meetings with major European suppliers.

Ends

Notes to editors

1. National Grid's report is the second stage in a four month consultation process which will seek to provide the market with a more accurate picture of winter energy supplies by September.

2. Ofgem's role

Ofgem has approved changes to allow for greater information on British offshore gas production in time for this winter and is continuing to work for greater transparency both in Britain and Europe.

Ofgem will be working to ensure government, customers and the energy markets are kept fully briefed on energy supplies this winter.

Ofgem is also:

- o supporting National Grid's consultation process by holding a seminar programme throughout the summer aimed at making sure that the market, industry and large public sector gas users understand the outlook for the winter, so they can make informed purchasing decisions and are able to provide a demand side response if required
- o continuing to work with the Demand Side Working Group to remove any remaining barriers to demand-side response, and
- o has introduced new incentives for National Grid to improve the robustness of its website that provides key market information to customers and gas suppliers and its gas demand forecasting.

3. Meetings with European companies

Ofgem has met with key energy companies across Europe and has received updates regarding the status of new infrastructure projects in Europe and the impact that this is likely to have on Britain.

For example:

- o Germany. E.on and Wingas have invested in the pipeline network to allow more gas to flow at the Belgian border. This could enable more gas (10 mcm) to be exported from Germany to the UK through the interconnector.
- o France. Improvements are starting to be made in the amount of information given on gas storage stocks. New LNG terminal at Fos Cavaou (8.25 bcm) to be operational 2006/2007.
- o Norway. New LNG export terminal to open at Snohvit in December 2007. This would allow Norwegian gas to be brought into the UK by LNG tanker in addition to the Langeled pipeline which will bring in gas from the Ormen Lange field winter 2007/08.

4. New importation projects

There are four importation projects scheduled to come on stream this winter. They are:

- o the final upgrade of existing Belgium interconnector due to be completed in December, increasing capacity from 48 to 68 million cubic meters (mcm) a day
- o a new interconnector pipeline between Holland and Britain due to be completed by December, with an initial capacity of 27mcm/day, increasing to 42mcm/day from March 2007
- o the Langeled pipeline which will be able to import gas from Norway. The first phase is due to be completed in October 2006 and will be capable of delivering 40 mcm/day. The second phase to deliver 68 mcm/day is due to be completed in October 2007, and
- o a proposal to bring in LNG to Teesside by ships which can convert the liquefied gas into gas that can be pumped onshore without the need for the construction of expensive terminals. Proposed 11 mcm to come on stream in December.

Added together these projects following completion could deliver a total import capacity of around 146mcm/day this winter. Record gas demand to date was 449 mcm in 2002-2003.

5. Rough gas storage

A fire in February this year closed the Rough storage facility, which accounts for over 80 per cent of Britain's gas storage. In June the facility reopened for injection and its owners, Centrica Storage Limited, say that it should be filled in time for winter.

6. Demand-side response

Last winter demand-side response, when large gas users turn down their gas usage in response to prices, made a significant contribution to gas supplies. Over 80 per cent of this response came from gas-fired power stations, many of which can run on back-up or alternative fuels. National Grid's report shows that a demand-side response to market prices has the potential to again play an important role this winter.

7. Gas imports

GB gas supplies are delivered from a diverse range of sources. These include supplies from Norway, Europe, Russia, and the global LNG market.

8. More information on future gas supplies are available from the "Securing Britain's gas supplies" factsheet available from the Ofgem website at www.ofgem.gov.uk
9. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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