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## NATIONAL GRID STARTS EARLY CONSULTATION ON ENERGY SUPPLIES FOR NEXT WINTER

- **Increase in gas supplies expected for next winter but still no room for complacency**
- **Major new Norwegian gas field due on stream this winter**
- **Two new Liquefied Natural Gas (LNG) terminals due to be completed**
- **Further expansion of new pipeline link with Holland**
- **Electricity generation reserve margin remains at 22 per cent\***

Ofgem has today (Tuesday) published National Grid's first consultation on next winter's energy supplies. Significant investment in new gas supplies should continue to ease the gas supply situation.

While supplies of North Sea gas are set to decline further, new sources of gas are due to come on stream able to deliver an extra 50 million cubic meters (mcm) of gas a day – over ten percent of the gas Britain would use on a very cold day. These new sources include:

- connection of the Langeled pipeline to the new Norwegian Ormen Lange gas field means that this source alone could deliver a fifth of Britain's gas needs on an average winter day.
- expansion of the new interconnector pipeline with Holland has increased capacity from 10 billion cubic meters (bcm) a year to 15 bcm a year
- two new LNG terminals in Milford Haven which will add another 16 bcm of potential gas import capacity, and
- a new gas storage facility at Aldbrough and expansion of the existing Hole House Farm gas storage facility

National Grid points out in its report that Britain is increasingly linked to the wider European gas market and the emerging global LNG market and this will impact on how much gas is supplied to the UK. If there are supply shocks in other countries then prices in the UK may have to rise to continue to attract LNG and piped gas from Europe.

Commenting on the report Steve Smith, Ofgem's Managing Director of Markets, said: "The gas market has performed very well this winter – the industry has delivered several complex, major new import projects on or ahead of time. And these facilities delivered more gas than forecast. This, together with the warmest winter since 1914, has seen wholesale gas and electricity prices fall significantly. Industrial and domestic customers are benefiting from falling prices.

"While National Grid's preliminary report forecasts an increase in gas supply compared to this winter there can be no grounds for complacency. No one can predict next winter's weather, so customers and the industry must prepare for all eventualities.

"Questions remain about how much gas will be available from Europe and Norway. It is therefore vital that both British and European energy suppliers provide National Grid with accurate information about potential energy supplies for next winter."

National Grid has a major role to play to deliver new network capacity on time so that new imported supplies can reach the GB market and to operate the pipeline system to make as much capacity as possible available at entry points where suppliers want to bring gas to the UK.

Following today's consultation National Grid will publish a further, more detailed, consultation in June followed by a final report in September.

\*Assumes that Hinkley and Hunterston nuclear power stations returned to service at 70 per cent of capacity in time for next winter.

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#### **Notes to editors**

1. Copies of National Grid's Winter outlook report are available on the Ofgem website on [www.ofgem.gov.uk](http://www.ofgem.gov.uk).
2. A factsheet Securing Britain's Gas Supply with more details on the new gas importation facilities is available from the Press Office section of the Ofgem website on [www.ofgem.gov.uk](http://www.ofgem.gov.uk).
3. Britain uses around 100 bcm of gas a year and the record amount of gas used in a day stands at 440 mcm in January 2003.
4. 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. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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