

A blue-tinted background image showing various electrical components, including a power strip with multiple outlets and a person's hand holding a small electronic device, possibly a meter or a plug, in front of a wall outlet.

Working with customers to understand contingency arrangements

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Introduction

Overview

- Winter 2005/06

Outlook

- Winter 2006/07?

What is Ofgem doing?

- Work with the demand side
 - Improving information
 - Working with EC

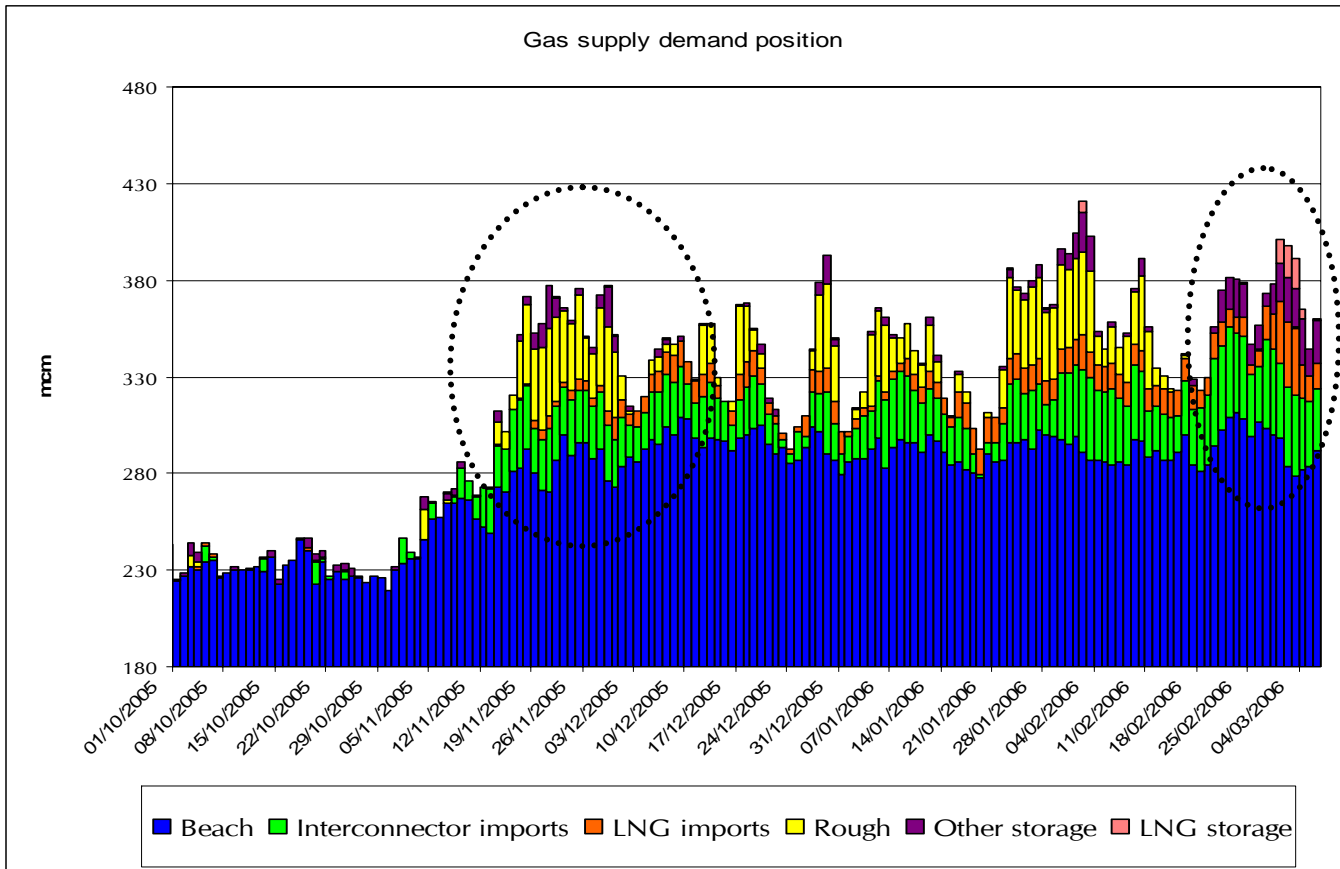
Contingency arrangements

- Improving understanding of contingency arrangements
 - Introduction to rest of day

A faded, blue-tinted background image of a gas meter. The meter has a circular dial with numbers and a needle, and a gas inlet/outlet pipe. The image is semi-transparent and serves as a background for the slide.

Winter 05/06 - Experience

Gas supply



- IUK and Grain flows - below expectations in Nov
- Improved IUK and Grain performance subsequently
- Rough outage since mid-Feb - demand and supply side response seen

Incident at Rough

Prior to incident

- Rough flows in Feb: average @ 25mcm, peak @ 43mcm

16-Feb

- Fire at Rough and facility shutdown

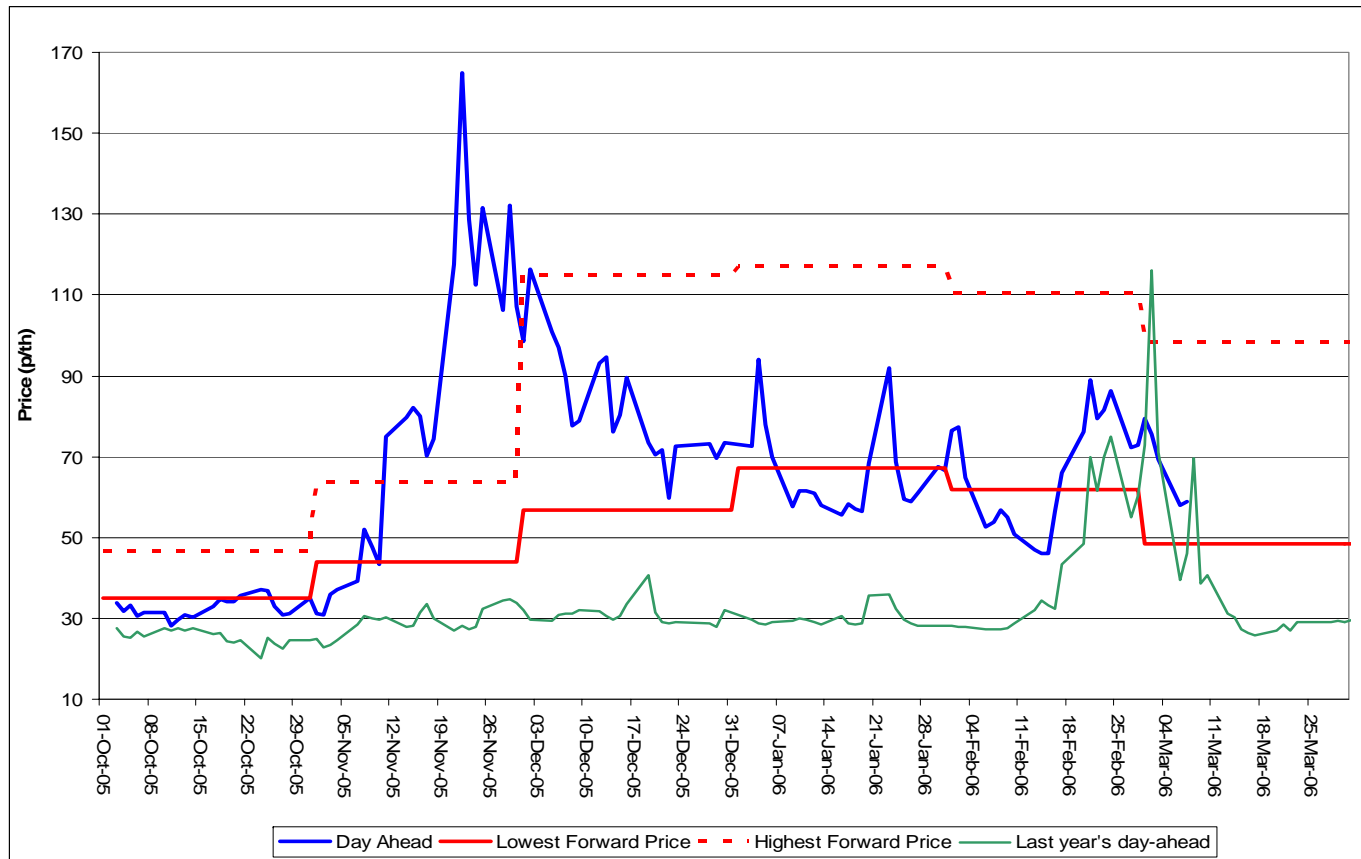
1-Mar

- Announcement that Rough unavailable until 1 May
- Announcement of revisions to Safety Monitors

Implications

- Loss of ~42mcm/d ⇒ tight supply-demand position
- BUT balance maintained:
 - market response on supply- and demand-side
 - aided by info transparency concerning outage

Spot gas prices



Nov price peak

- Dec/Jan - downward trend in prices

29 December price spike

- Prices reflected gas and electricity system tightness

A blue-tinted background image showing a close-up of electrical components, including a three-pronged power plug and a circuit board with various components.

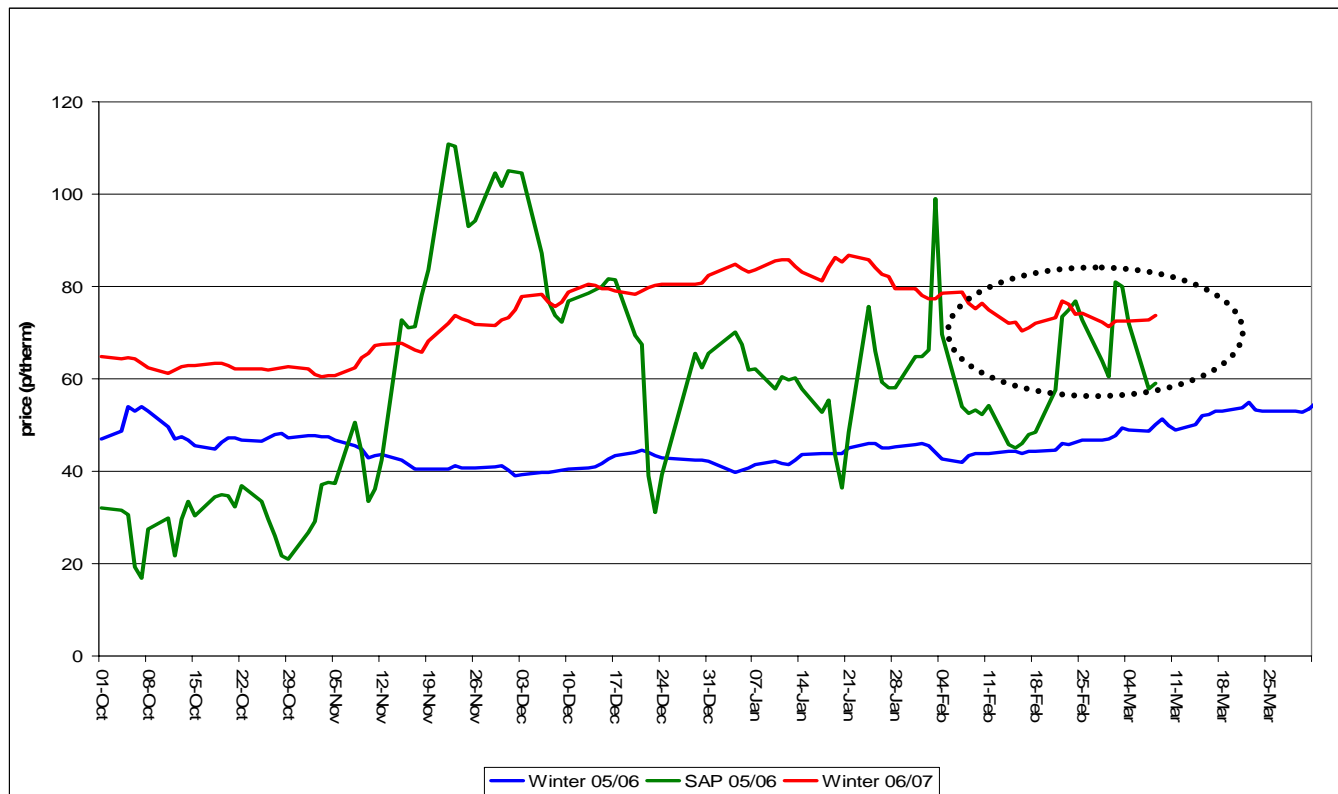
Looking forward – Outlook for Winter 2006/07

Winter 05/06 vs 06/07: Max. physical capacity

mcm/day	Max physical 05/06	Max physical 06/07	% change
Beach	327	289	-12%
IUK	48	62	+29%
Grain LNG	17	17	No change
Storage (Rough + Med Range)	71	74	+4%
LNG Storage	49	49	No change
BBL	N/A	27	N/A
Langeled	N/A	48	N/A
Total	512	566	+11%
Demand	550 (1:20)	561 (1:20)	+2%

- **Based on 10 mcm/day decline in North Sea and 28 mcm/day of Norwegian gas “re-routed” through Langeled**
- **IUK (final upgrade) Dec 06 / BBL (part) due Dec 06 / Langeled (part) due Jan 07**

Winter 06/07: The market's view for GB



Forward trading for next winter:

- Well above this winter's forward price as traded 04/05 but falling
- Trading at similar prices to this winter's current spot prices

Key issues – this winter and next

Issues of concern this winter are also relevant for next winter.....

Demand side response

- Are there barriers to demand side response?
- Ensuring timely information is available to all

Availability of gas

- From Europe/other sources
- Can GB parties access that gas?
- Transparency of information - understanding EU picture

A blue-tinted background image showing a close-up of a power plug and a meter. The plug is on the left, and the meter is in the center. The text "Ofgem's work" is centered in a white rounded rectangle with an orange border.

Ofgem's work

Working with customers

Demand Side Working Group

- Ofgem chairs and facilitates regular meetings
- Working to remove barriers where these may exist
- Enhancing quality and availability of information to all
 - Programme of work ahead for winter 2006/07
- Developments for winter 2005/06 included GBA and new website

Ofgem seminar series

- Working to ensure information reaches wide audience

Gas safety reserve

- Ofgem is chairing and facilitating regular meetings
- Considering methods of procuring gas safety reserve
 - Seeking progress ahead of winter 2006/07

Focus on information

National Grid - Winter outlook process

- National Grid to carry out early consultation process
- Ofgem encourages all parties to feed in their views

Availability of gas supplies

- Asking questions of relevant parties – regulators/companies
- Seeking enhanced transparency re use of import infrastructure
 - Working to get enhanced transparency of EU markets

Continuing successful information sharing scheme with DTI

- Monitoring offshore market performance

Further information release?

- Ofgem IA on offshore info release out – views welcome from all parties by 17-Mar

Making markets work...

Seeking to ensure route to market for all parties

Improved information

➤ Gas Balancing Alert (GBA)

Improved incentives on shippers

➤ code modifications

GBA – Normal market arrangements

- **NG to issue a Gas Balancing Alert (GBA)**
 - GBA triggered day ahead
 - Forecast demand > anticipated available supplies
 - GBA can be triggered within day– e.g. sudden events

OCM



Normal market operation



Opportunities for customers and suppliers to assist system balancing



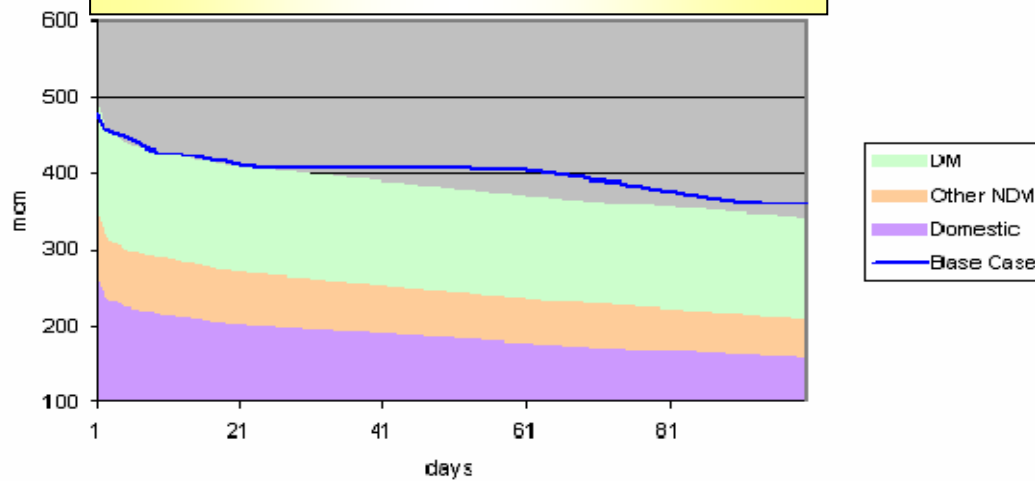
A blurred background image showing various electrical components, including a blue power outlet, a white power strip, and a yellow power cord, set against a light blue background.

Contingency arrangements: introduction

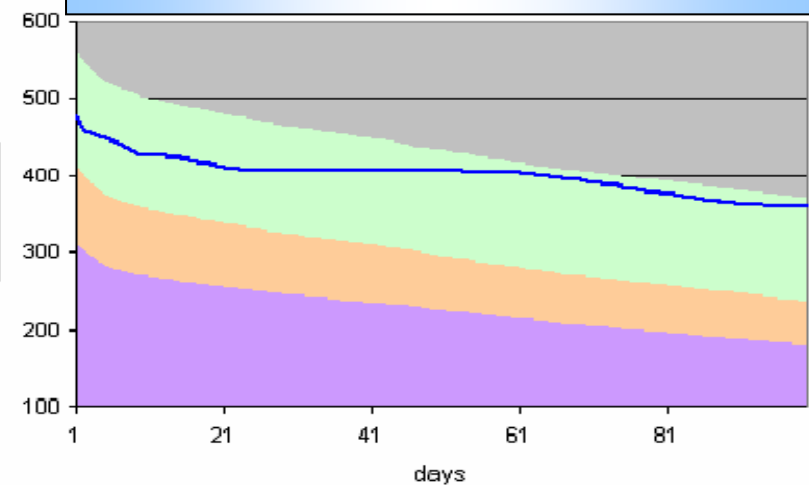
Importance for customers

Based on projections ahead of winter 2005/06...

Average winter



Severe 1 in 50 winter

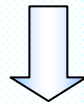


Similar situation for winter 2006/07?

Impact and implications for customers

Market arrangements

Commercial tools
available

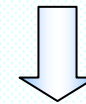


- Operation of OCM
- Commercial demand side response / interruption

**Opportunities for customer
/ supplier response**

Contingency arrangements

Commercial tools
restricted / removed



- Emergency stages apply
- Firm load shedding can occur

**Command and control in
force – less flexibility**

Customer dilemma

e-on | UK presented customer dilemma as follows:



**Shut down +
Cash now**

OR



**Chance it, & get nothing
in an emergency**

Today – focus on contingency arrangements

➤ Hear from
National Grid, HSE,
shippers

➤ Speak to Suppliers

➤ Understand Arrangements

A large, central ofgem logo, identical in style to the one in the top right corner, featuring the word "ofgem" in white lowercase letters on a red rounded rectangular background. The background of the slide is a faded image of electrical components, including a three-pin plug and a circuit breaker panel.

Promoting choice and value for all
gas and electricity customers