

A blue-tinted, close-up photograph of a gas meter. The meter has a white dial with numbers and a yellow gas inlet pipe. The image is slightly out of focus and serves as a background for the slide.

## Options for Energy Buyers Looking ahead to Winter 2006/07

# Welcome

Why are we here?

- All about price – GB currently has highest gas prices in world

Range of speakers here to share their views and experiences

- Customers & Suppliers

- Opportunity to discuss and consider options ahead of winter

A blue-tinted background image showing a close-up of a gas meter with various pipes and valves.

# Experience of Winter 2005/06

Intro

Winter  
2005/06

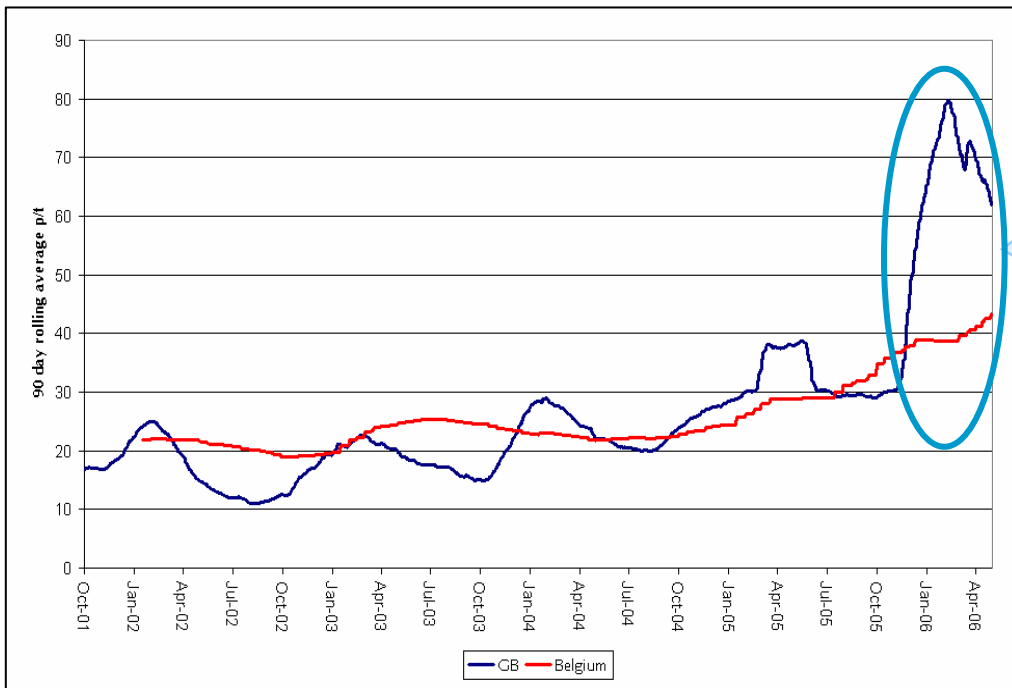
Winter  
2006/07

Customer  
options

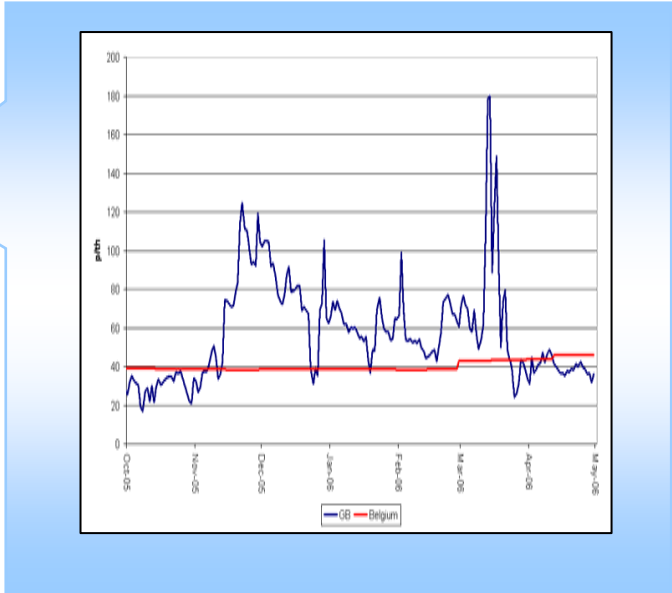
Ofgem's  
work

Options for Energy Buyers – May 2006

# Price trends

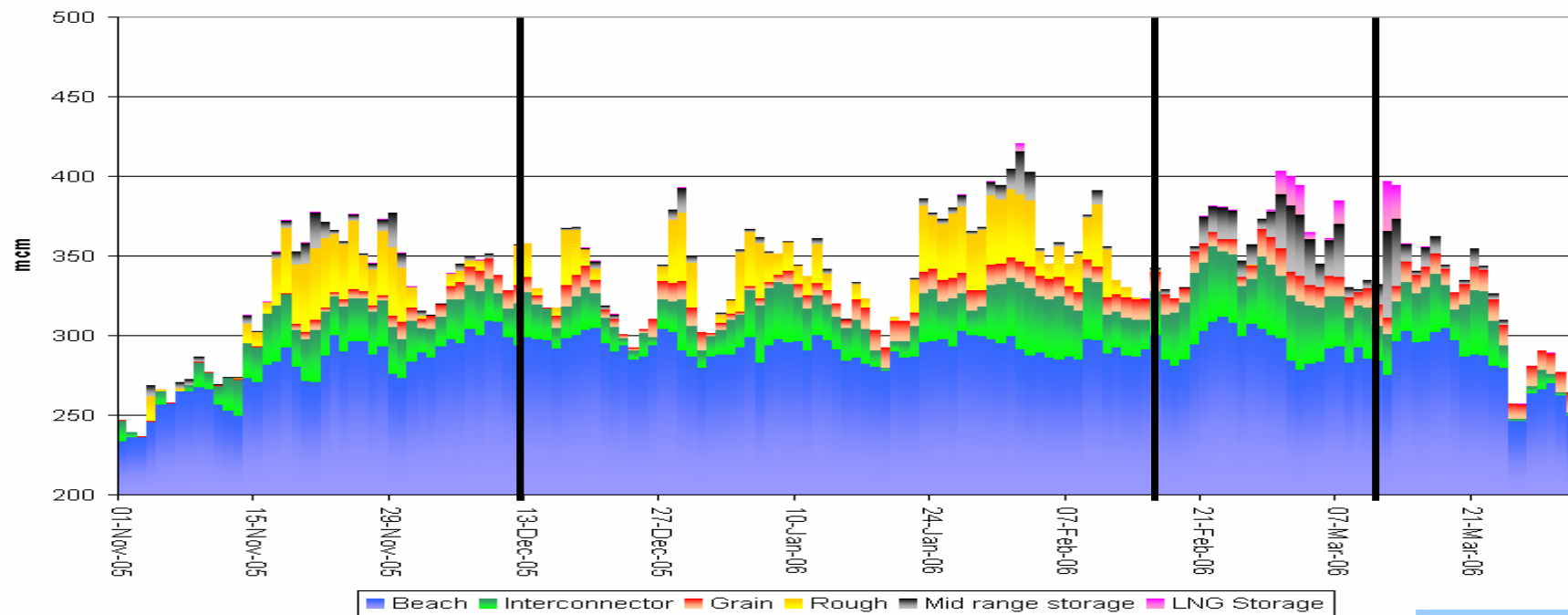


Long term trends – rolling average prices



Prices over winter 2005/06

# A winter of four parts



Issues with interconnector and Grain

Improving performance

Rough unplanned outage

Rough & other supply issues

Intro

Winter 2005/06

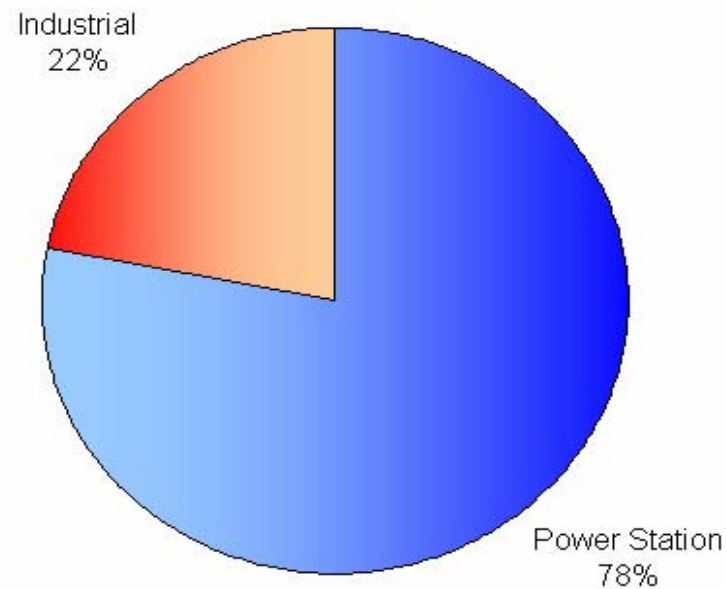
Winter 2006/07

Customer options

Ofgem's work

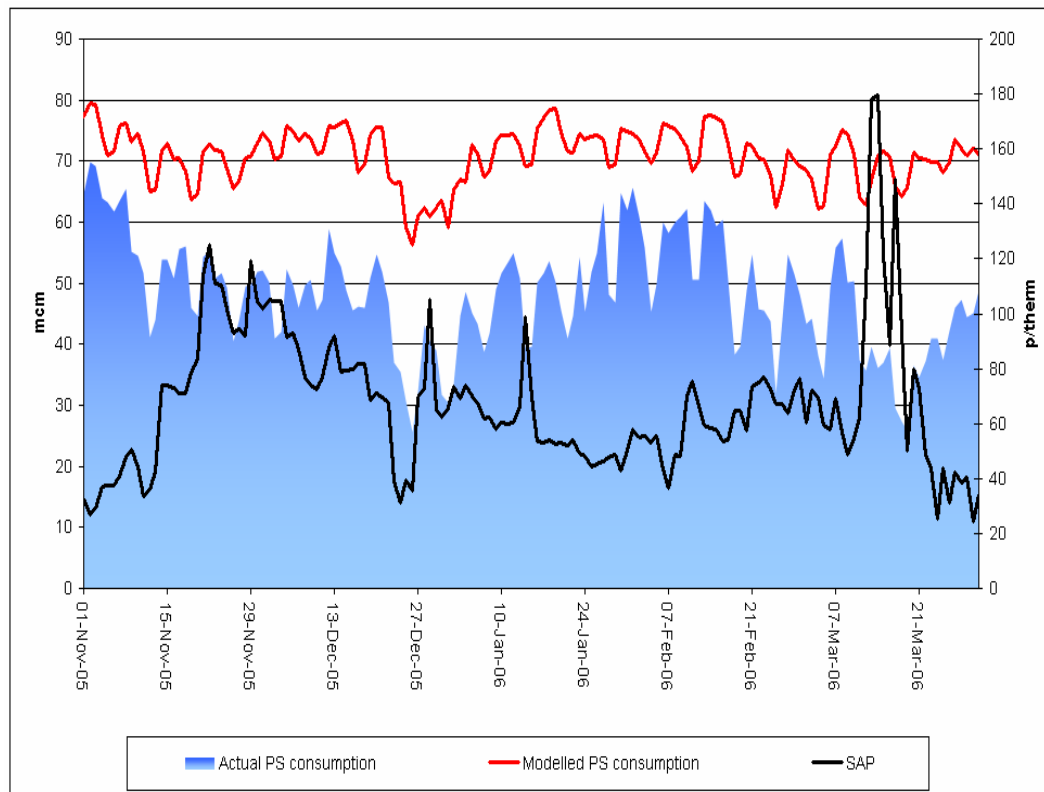
Options for Energy Buyers – May 2006

## Demand side response – experience of last winter



Majority of DSR came from the power sector

# Power station response - "fuel switching"

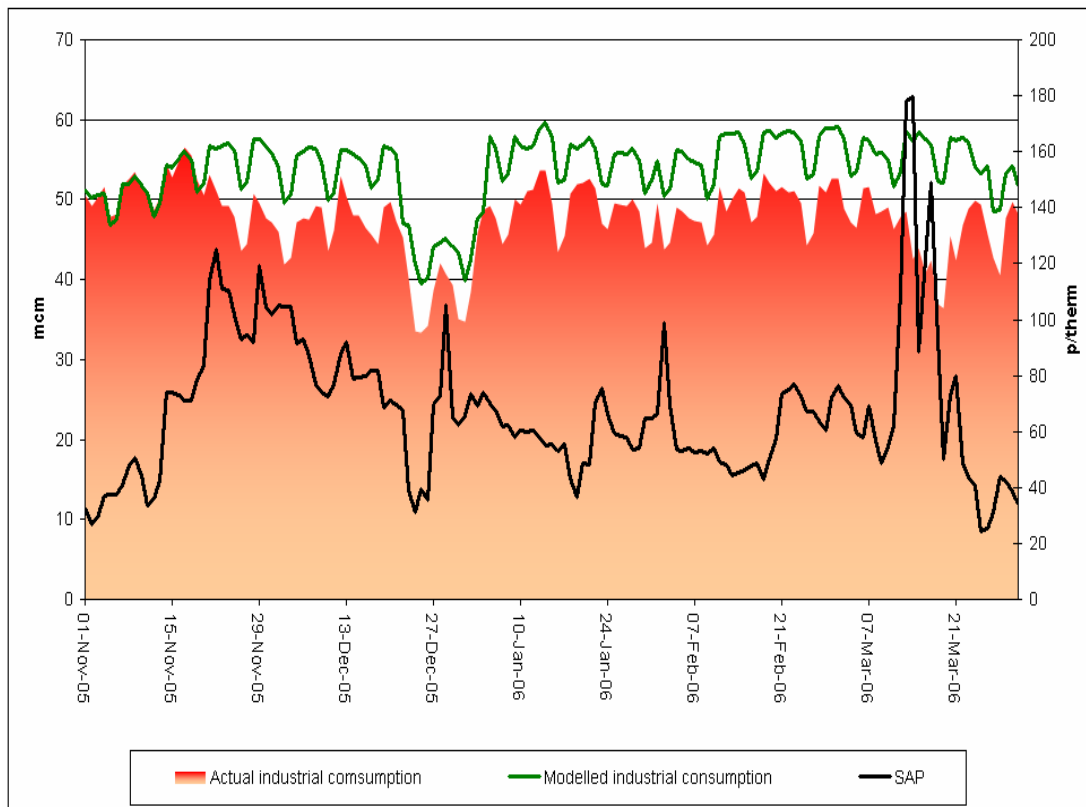


Generators turn down gas demand - use alternative fuels to manage costs

Winter 2005/06 – power station gas demand reduced by up to 40 mcm

Provides an effective alternative form of storage

# Response from industrial customers



Industrial customers reduced consumption by up to 16.6 mcm – NTS & LDZ loads

Most customers switched fuels - took advantage of higher prices to sell gas

In very limited circumstances – reports of demand destruction

# The Gas Balancing Alert in operation

GBA developed last winter by customers and suppliers

## NG issued a GBA for 13 March

- Indication to market of likely tightness in supply
  - need for demand turn down
  - Cold weather – higher demand than expected
- Supply issues – unplanned offshore outages and at Rough

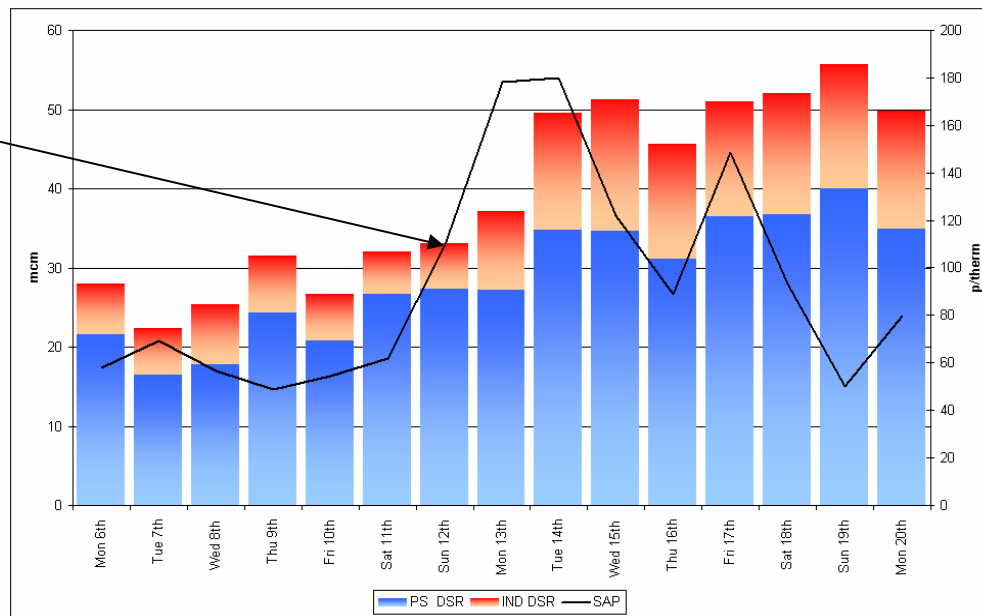
Part of normal market operation

Prices peaked at 259 p/therm

Commercial opportunities?

# GBA – experience on the day

GBA issued



Reduction in demand

Avoided gas deficit emergency

Provided alternative route to market

Effective in practice – could further improvements be made?

A background image showing a close-up of electrical components, including a blue power outlet and a white power plug, with a blue and white color scheme.

# Looking ahead to Winter 2006/07

Intro

Winter  
2005/06

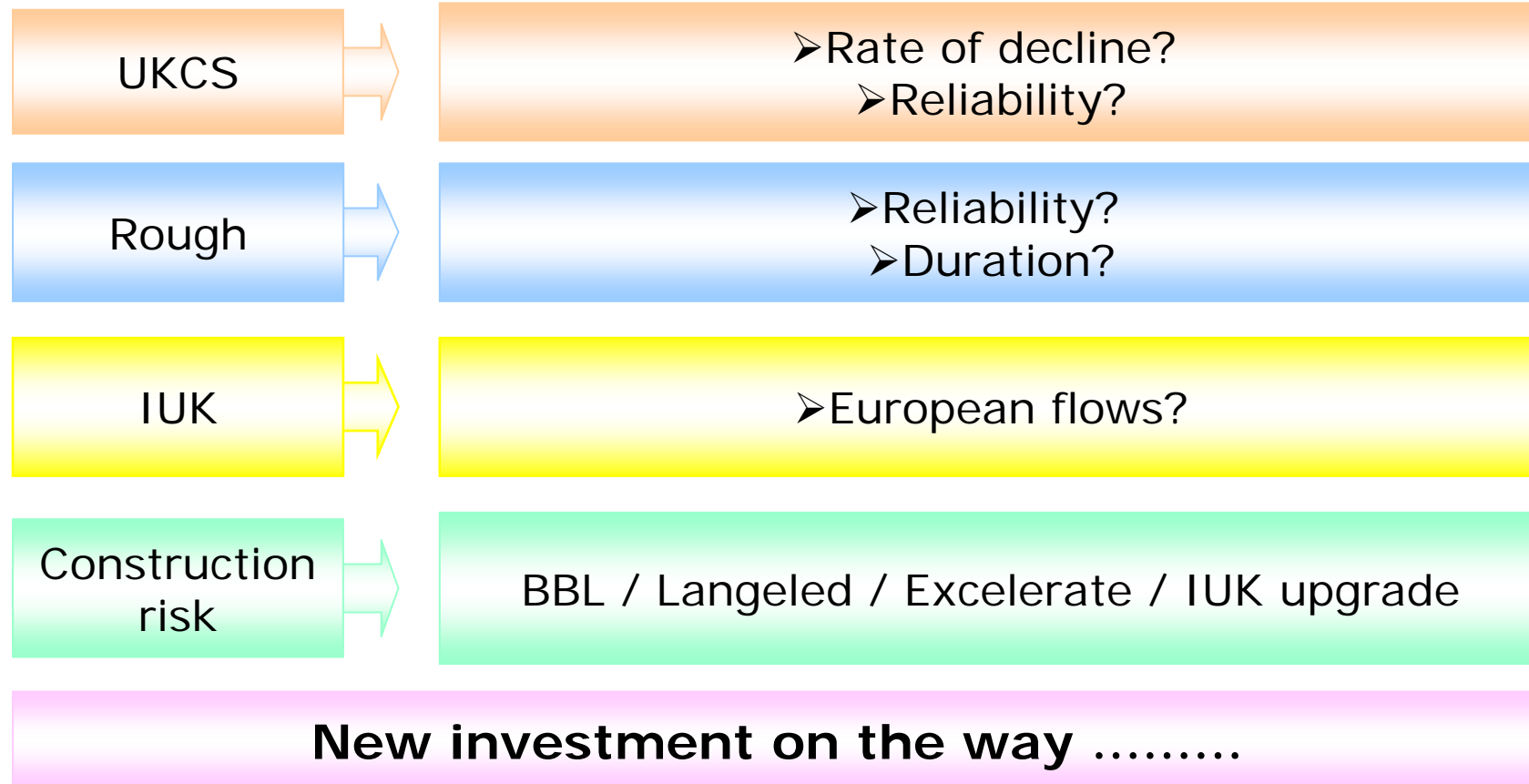
Winter  
2006/07

Customer  
options

Ofgem's  
work

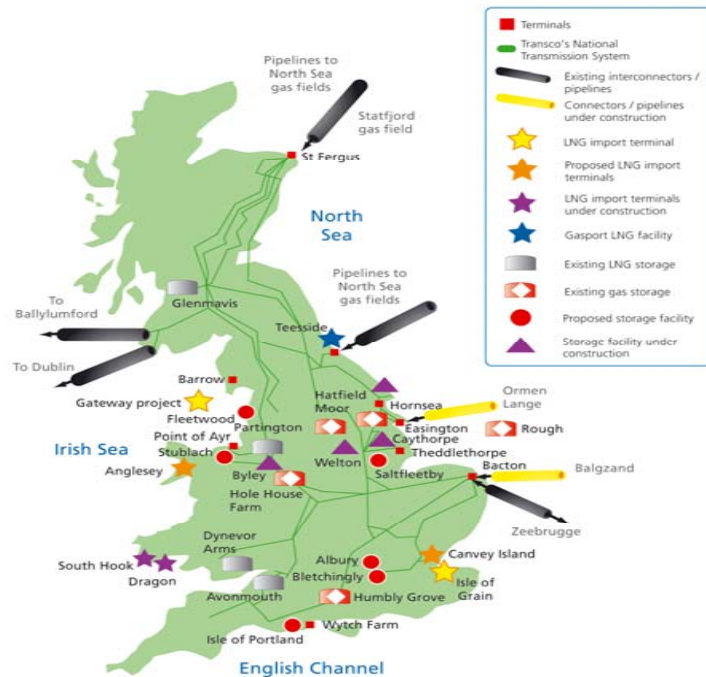
Options for Energy Buyers – May 2006

# Winter outlook for 2006/07



# New infrastructure

Over £10bn of private sector money will be invested to meet Britain's energy needs



2006/07  
New links with Norway and the Netherlands plus extension of the link with Belgium

2007/08  
New LNG terminals plus expansion of links with Norway and the Netherlands

A blue-tinted background image of a gas meter with various pipes and components.

# Options for customers

# Choices for GB customers

NW continental Europe



Customers have little or no choice

GB



Customers have options



# What can customers do?

Range of commercial options available for customers

Contract terms to reflect opportunity cost to customer

Risk management tools for customers

Different routes to market to reflect individual customer needs

A background image showing a close-up of electrical components, including a blue three-pin power plug and a circuit board with various components, all in a blue-tinted, slightly blurred style.

# Ofgem working with customers

Intro

Winter  
2005/06

Winter  
2006/07

Customer  
options

Ofgem's  
work

Options for Energy Buyers – May 2006

# What is Ofgem doing?

DSWG

Facilitating routes to market for customers

Considering further quick wins ahead of next winter

Interconnector flows

Working with the European Commission and companies

Information

Working towards greater information transparency across Europe – e.g. storage

006 – near to real time sub terminal flows

Further enhancements in GB?

New incentives

NG demand forecasting?

NG website performance?

# Summary

➤ Discuss with suppliers

➤ Consider options

➤ Working together

A large, central version of the ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on a red rounded rectangular background. The background of the slide is a faded, blue-tinted image of electrical components, including a three-pin plug and a meter.

Promoting choice and value for all  
gas and electricity customers