

OFGEM Buyers Seminar May 2006:



Market and Service Overview

May 12th 2006

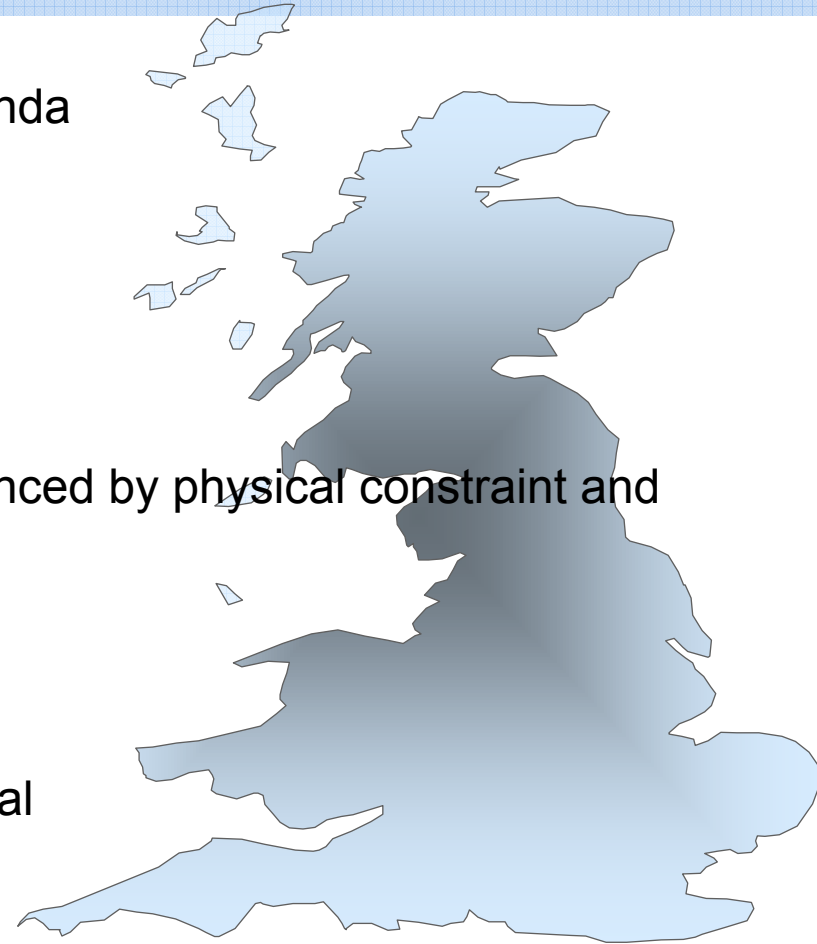
Steven Chambers, Sales Manager

Overview

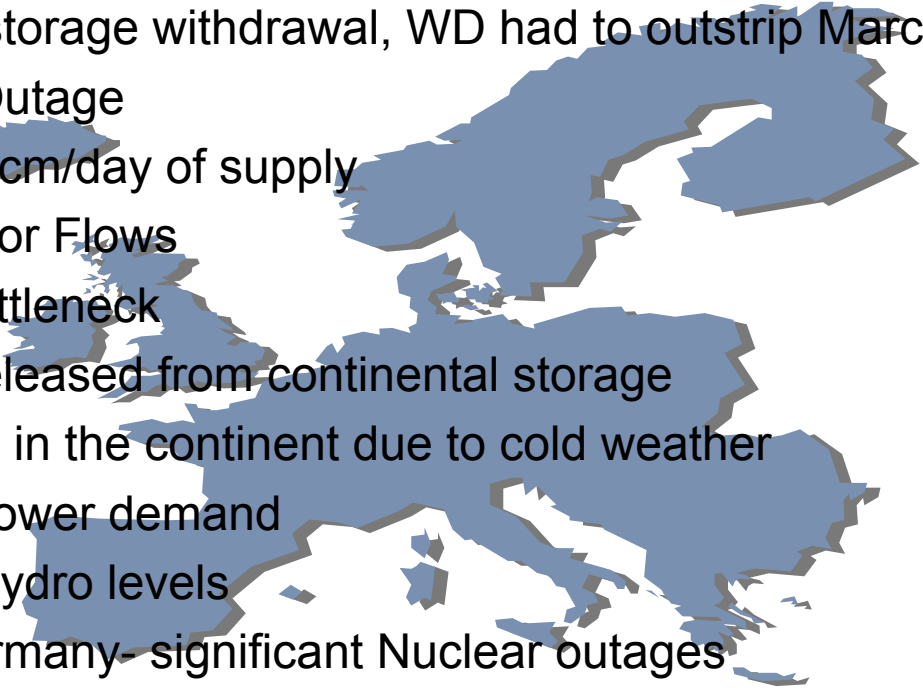
- Market Observations
- Possible outcome for the winter of 2006
- Addressing Consumption risk
- Cost Minimisation options
- Who are HydroWingas?

Market Observations

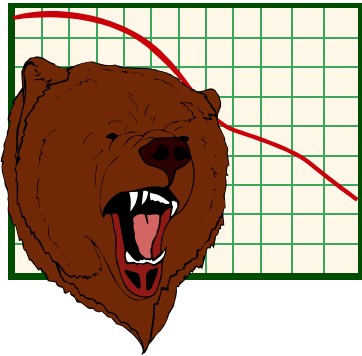
- Energy now closer to the top of the agenda
- Price shocks higher with longer impact
- New thinking
- European supply capability to UK influenced by physical constraint and political will
- Unfixing back to market
- Storage, LNG and interconnection crucial
- UK energy policy still unclear



Winter 05 Market & Customers

- Market becoming more storage orientated
 - Nov 05 saw storage withdrawal, WD had to outstrip March price
 - Rough Storage Outage
 - Missing 42 mcm/day of supply
 - Low Interconnector Flows
 - European Bottleneck
 - Gas slowly released from continental storage
 - High demand in the continent due to cold weather
 - High European power demand
 - Spain - low Hydro levels
 - France & Germany- significant Nuclear outages
- 
- A semi-transparent blue map of Europe is overlaid on the right side of the slide, behind the list of bullet points.

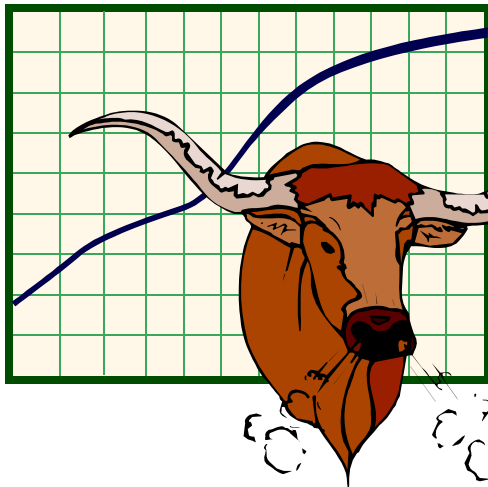
Winter 06



- BEARS

- Collapse in Carbon Prices
- Crumbling Spark Spread
- Gas Demand growth in Power Sector dropping
- LNG - diverted to Asia and continent
- USA - Record High Storage
- Winter 05/06 - 120 mcm additional capacity
 - Interconnector reverse flow
 - Langeded - Flows more or less guaranteed to the UK, low domestic demand
- Producers rather than Storage Players
- Selling Supply more responsive, greater swing
- BBL Pipeline (domestic market demand versus UK)

Winter 06

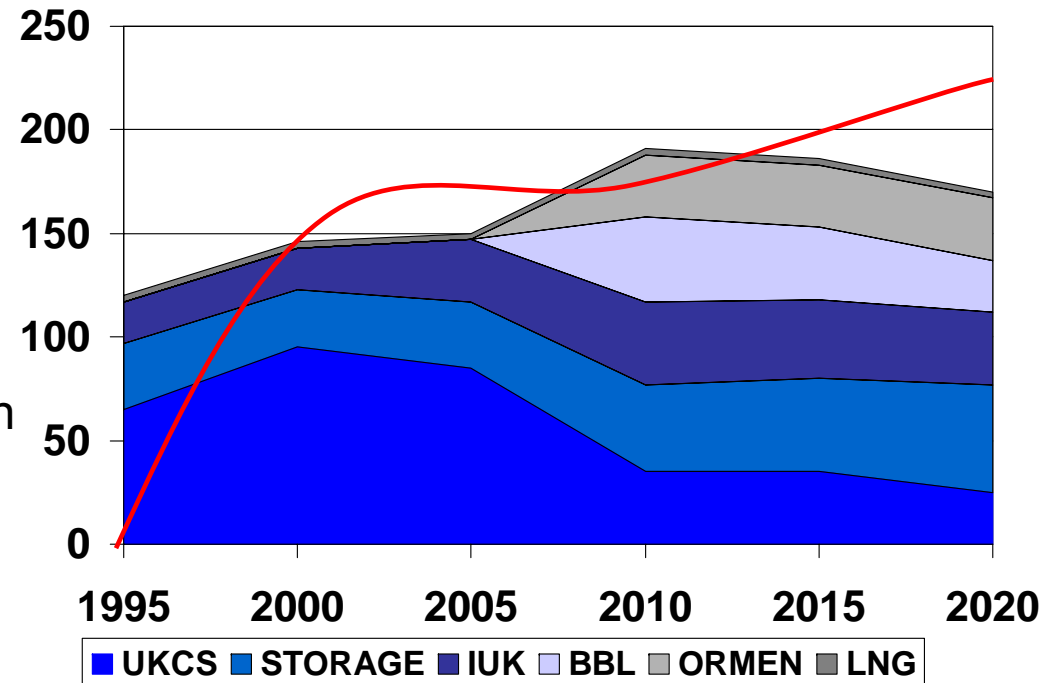


- BULLS

- Industrial and Commercial Demand Up
- Rough Outage - system fragile
 - 42MCM/DAY
- Oil Volatility
- LNG as a potential floating storage option
(similar to Spain)
- Imbalance supply and demand
- forward prices tend to reflect tension in the spot market
- European Storage levels lowest since 2001

Addressing Consumption Risk: UK Demand, Global supply

- Suppliers face a changing risk structure
- Take or Pay: likely to be tighter and applied
- Capacity and transportation cost elements impact
- Resource and cost implications for customers

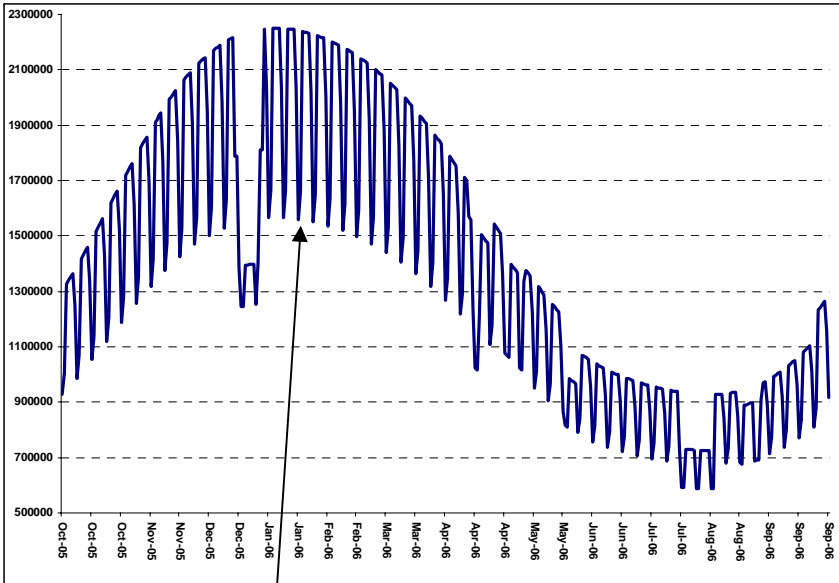


Capacity does not equal supply

Addressing consumption risk: Your data

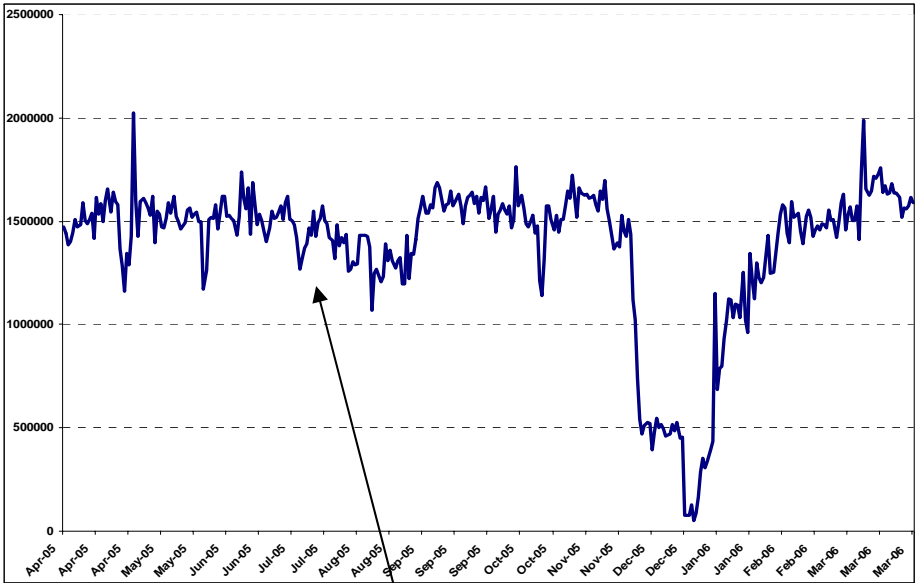
- Visibility on consumption all the time
- Improved capability to forecast load to supplier.
- Diminish any take or pay risk premium
- Reduce the potential of any take or pay clause to be applied
- Reduce cost and improve portfolio optimisation through cashing out mechanisms
- A strong aide to Demand Side Response

Priced Risk – Same Customer



Worse case Scenario

Seasonal Premium highly skewed towards Winter
Assumes an even Weekend versus WDNW profile

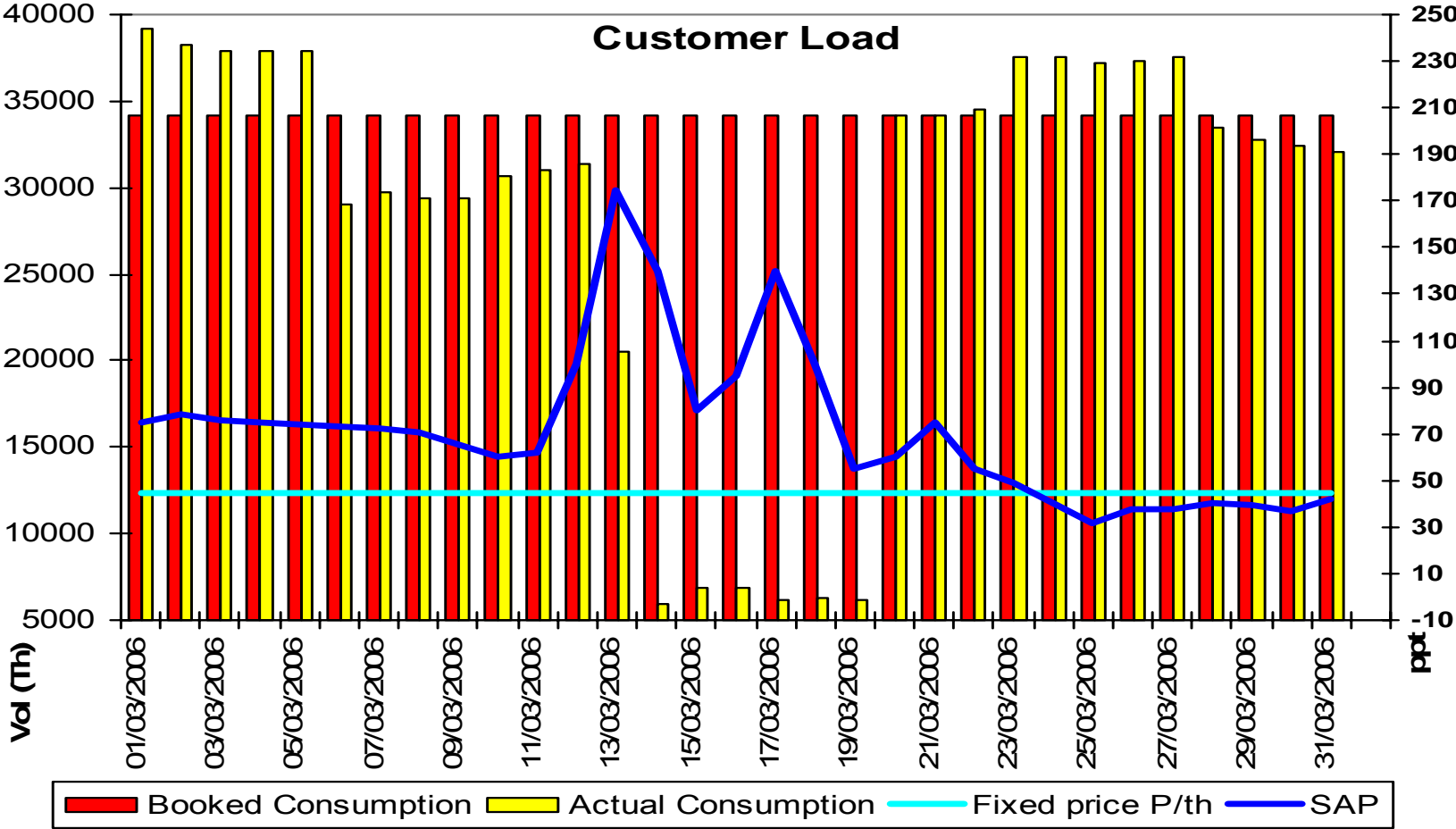


Accurate data will result in a lower shaping premium

Cost Minimisation: Considerations

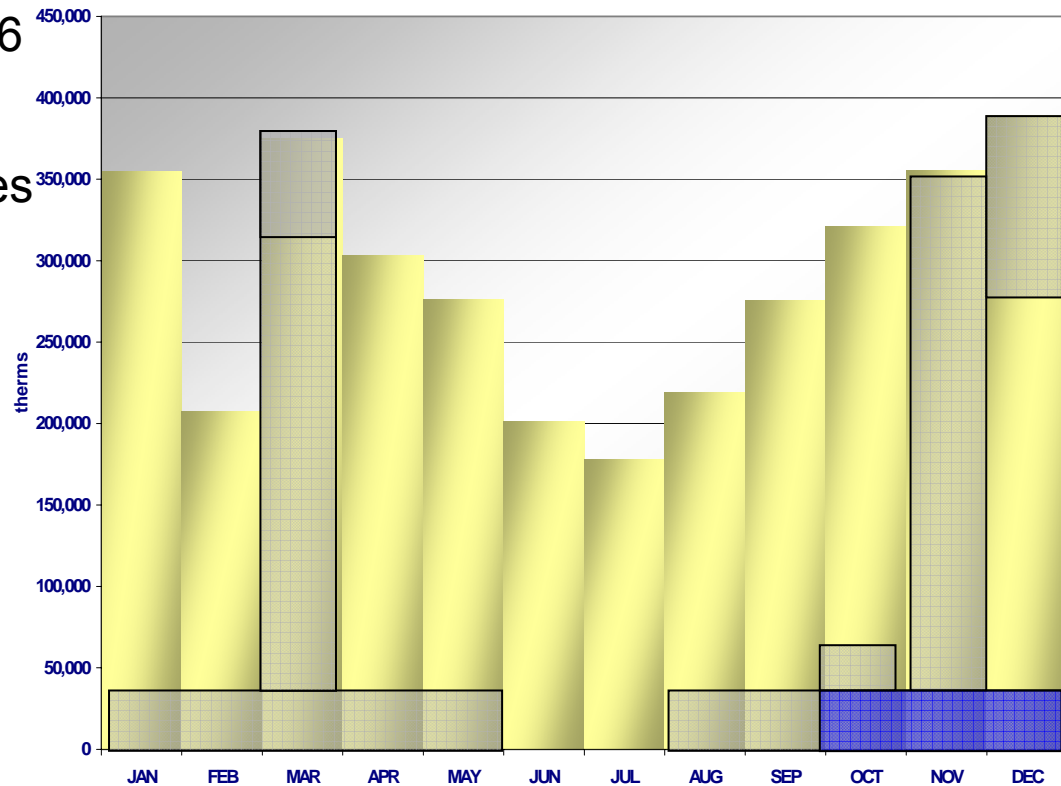
- Clear realistic but challenging objectives : Right price relative to risk
- Shared sense of purpose
- Best use of resources: data recording and forecasting, Credit terms
- Progress review
- Mutual trust and support
- Access to information and transparent pricing

Market Approach 2006 – 2007: An optimised approach March 2006



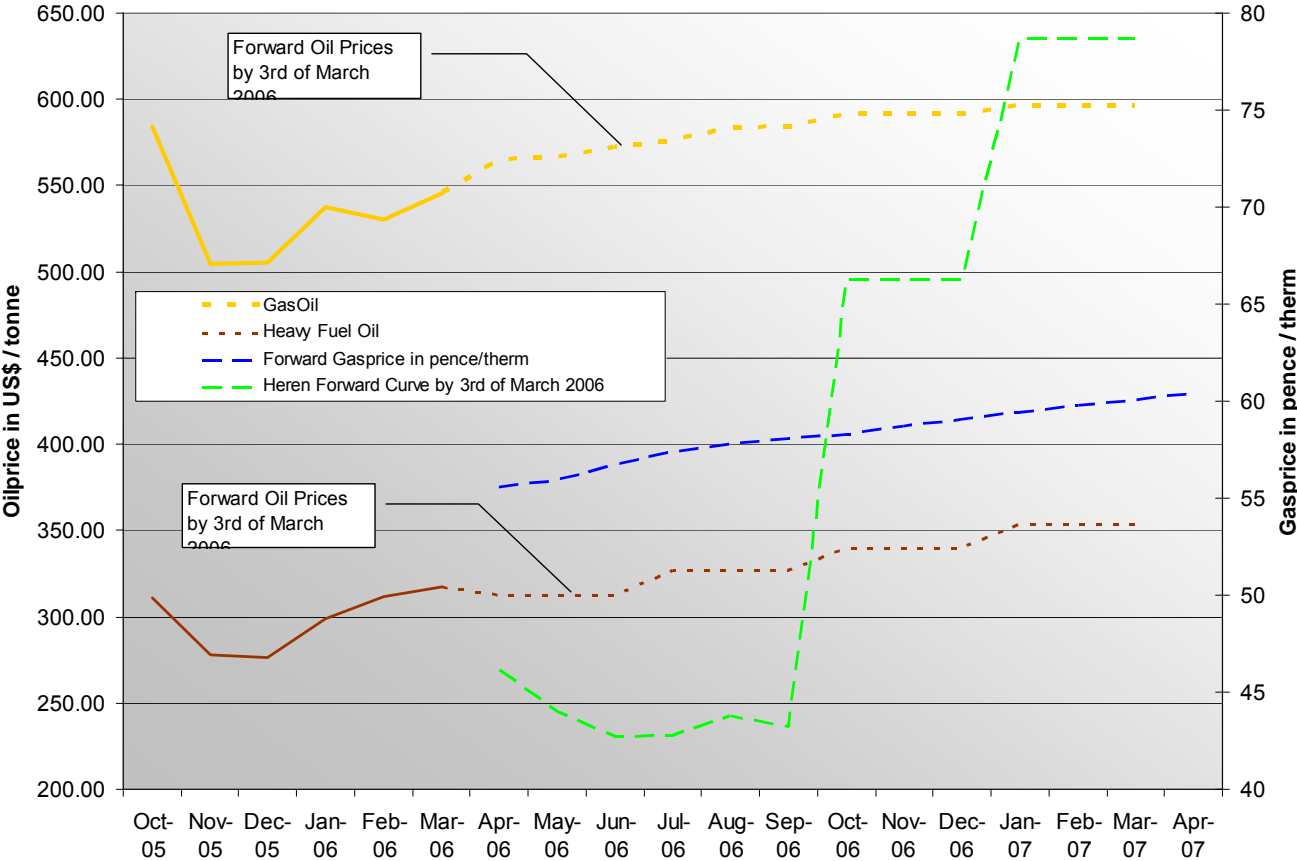
An optimised approach: HydroWingas products

- Forward pricing out to 36 months
- Monthly and Daily indices
- Weekly pricing
- Balance of Month
- Unfixing



In addition HydroWingas can offer

- An index to oil and oil products
- A Further options to ease against price shocks
- Index to a different level of volatility



Summary : Customers can minimise outlay

...based on

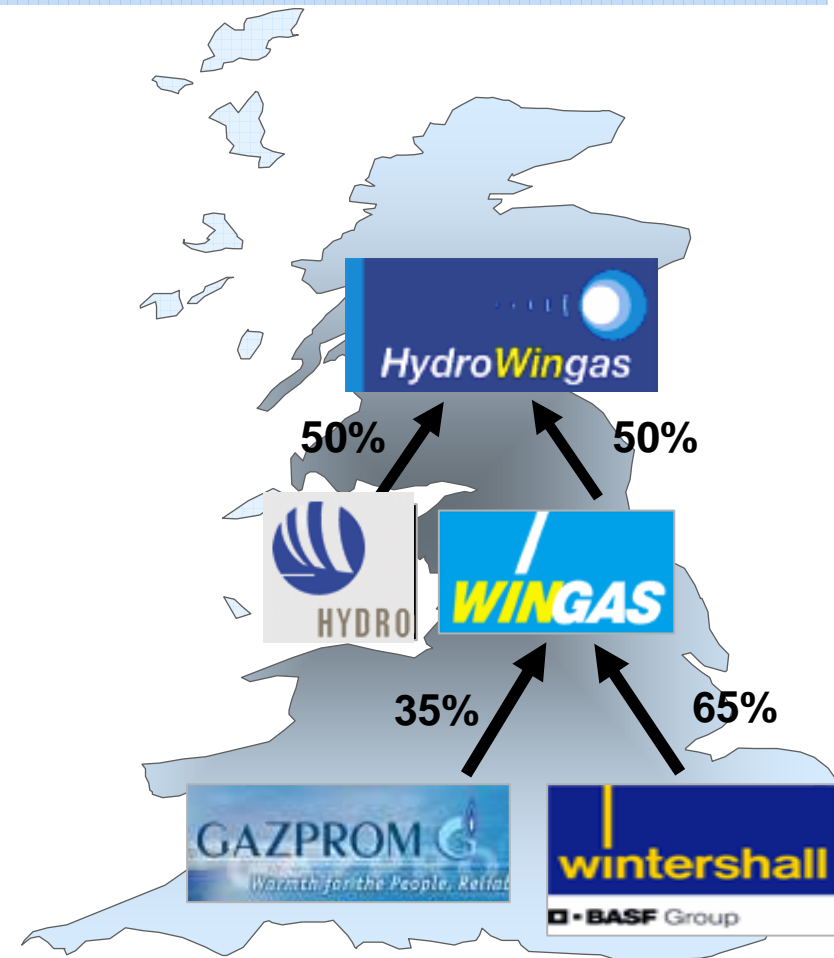
- Data monitoring and effective use of the information
- Access to market information
- Spreading risk over time and product range
- Unfixing gas in the market
- Demand side response
- Forward payment
- Improved supplier/customer interaction



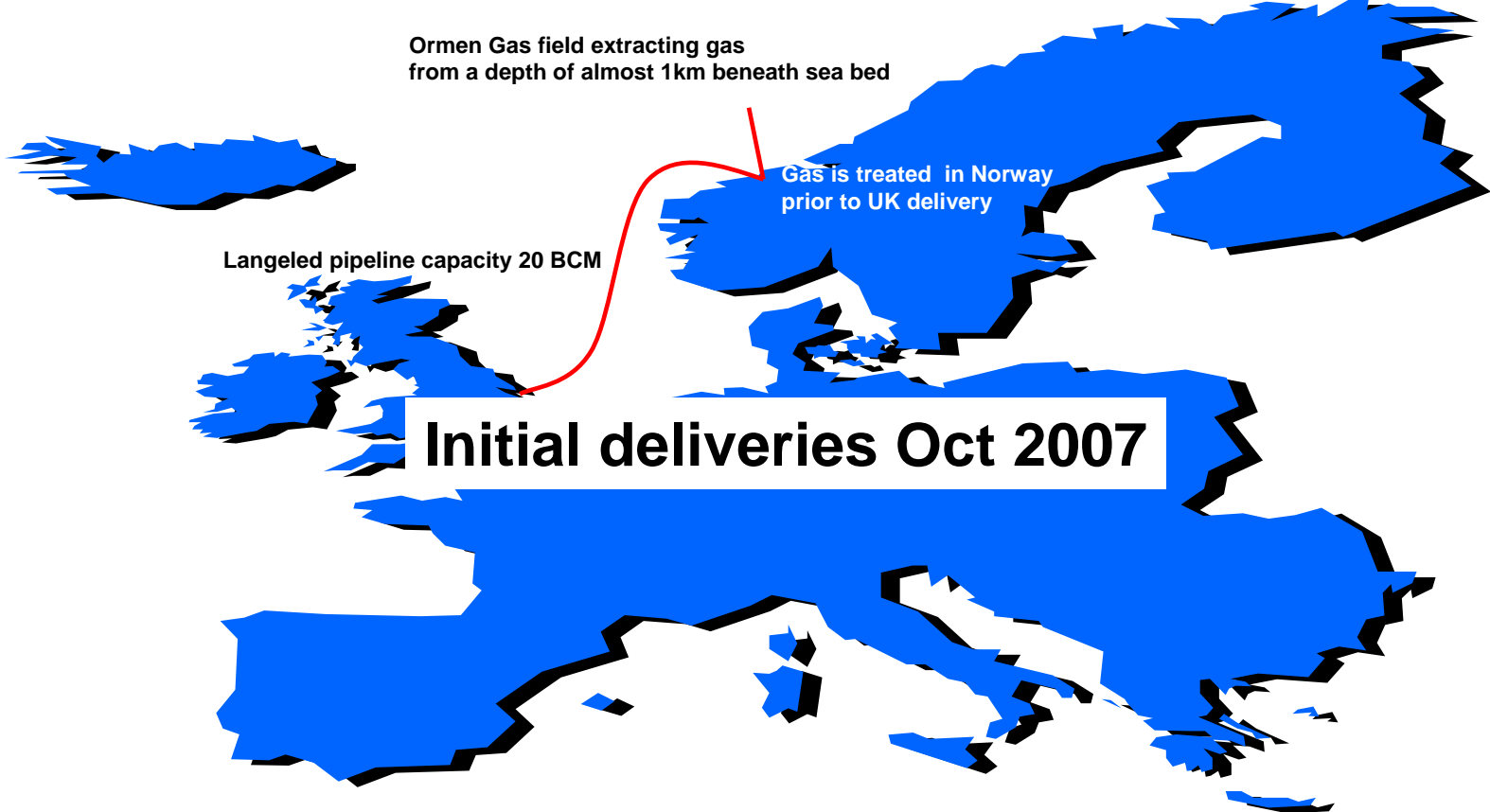
Who are HydroWingas?

Who are HydroWingas?

- Jointly-owned company to market and sell gas in the UK
- Combine marketing knowledge of both Hydro and WINGAS
- First deliveries started mid-2004
- Growth through innovation



Ormen Lange field and the Langeled pipeline transportation system



Infrastructure WINGAS



The WINGAS high pressure pipeline system: more than 2,000 km

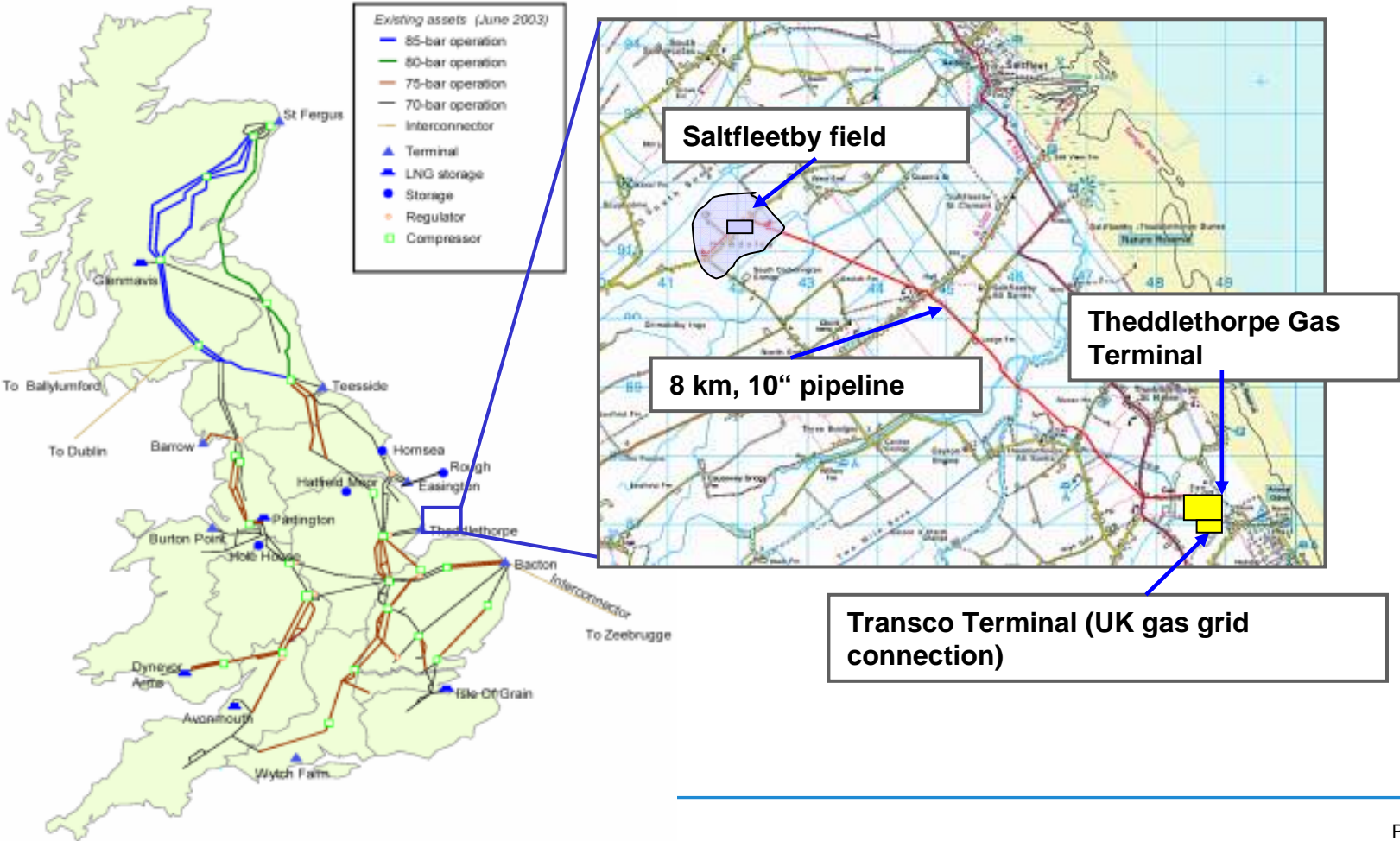
Rehden gas storage
working gas capacity
max. hourly withdrawal

4.2 bcm
2.4 mcm/h

Investment in infrastructure
Euro

2.7 billion

Saltfleetby Gas Storage Project - Location





Thank you for listening