

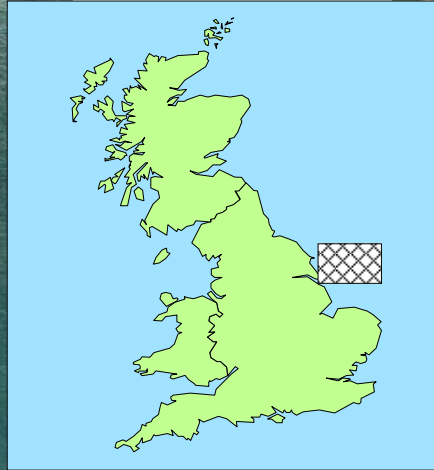
# Winter Outlook 2006

Observations from a storage operator  
May 24<sup>th</sup> 2006

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Sales and Marketing  
Centrica Storage



# Introduction to Centrica Storage




**Offshore – 2 platform complexes**

**Easington Terminal**

- Rough – part-depleted gas field
- Represents over 70% of UK storage by volume – new entry
- Supplies 10% of UK demand on a typical ‘cold’ winter day
- 44> mcm/day deliverability, (25 to 0.5) mcm/day injectability
- **Storage customer base utilities, traders and producers**
  - Large end users increasingly interested in storage



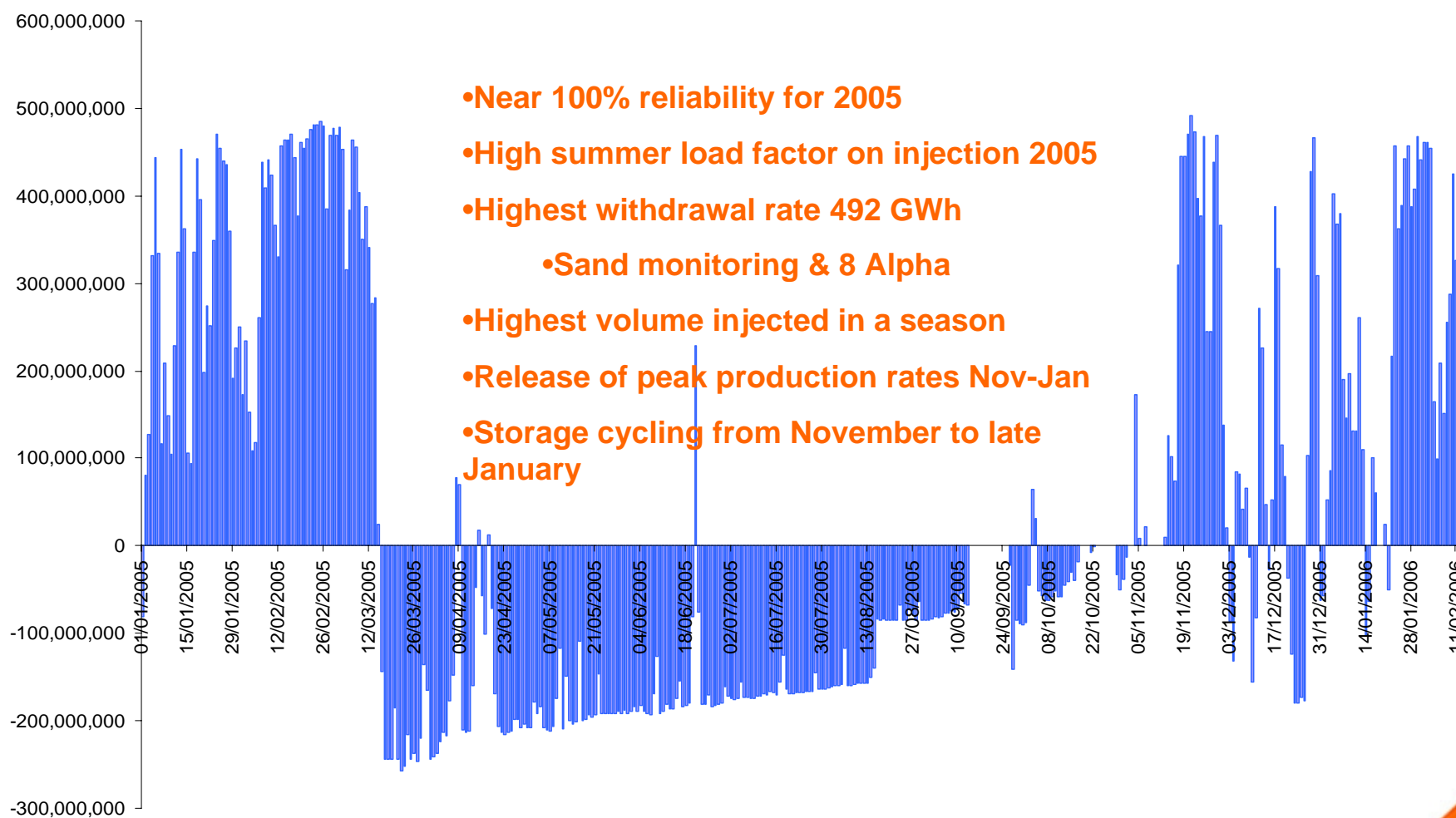
# Observations about Rough Storage use for Winter '06

1. **CSL investment in the Rough Storage facility**
  2. **Incident at Rough – 16 February 2006**
    - **Interim Report**
    - **Latest Update**
  3. **Storage Outlook**
    - **Injection**
    - **Withdrawal**
  4. **Storage cycling**
    - **Commercial Incentives**
    - **Market Incentives**
  5. **Commercial storage v's strategic storage**
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# CSL – Rough Performance to Mid Feb 06

**£45> million spent on Rough by CSL to date – and increasing!**

Net Storage Movement





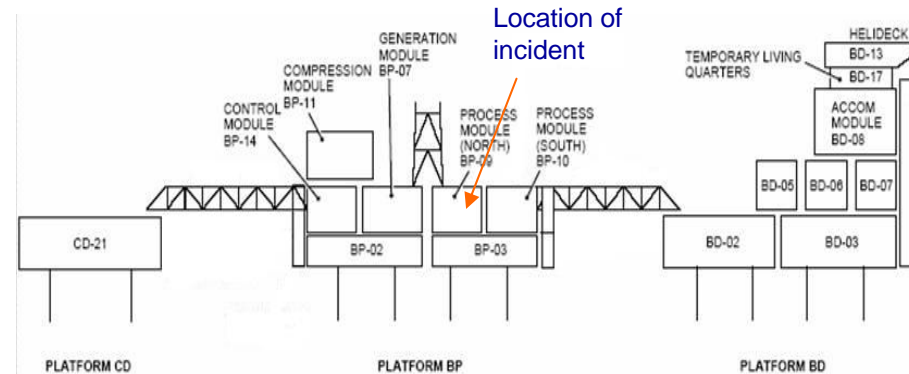
# Rough incident – 16<sup>th</sup> February 2006 (1)

- Updates weekly every Friday or when new information is known
  - [https://storit.centrica-sl.co.uk/storit/p\\_cust\\_security.logon](https://storit.centrica-sl.co.uk/storit/p_cust_security.logon)  
(Click to Logon to Public area)  
and [www.centrica-sl.co.uk](http://www.centrica-sl.co.uk)
  - Explosion and fire on central processing platform of main Rough complex 3B
  - Of the people on board, 2 hospitalised, released by next day, others safely evacuated
  - ESD and other safety systems successfully contained fire
  - Apparent cause - catastrophic failure of cooler unit on one of 4 production trains – HSE safety alert issued
  - 2 of 4 cooler units on injection of the same type as failed unit
  - Platform 3B fully re-manned from early March to enable full re-construction, investigation and damage assessment
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# Rough incident – 16<sup>th</sup> February 2006 (2)

## Damage Assessment

- 2 of 4 Production coolers damaged beyond repair
- Significant damage (inter alia) to connected pipework, HP vent system, control and safety systems & electrical cabling.



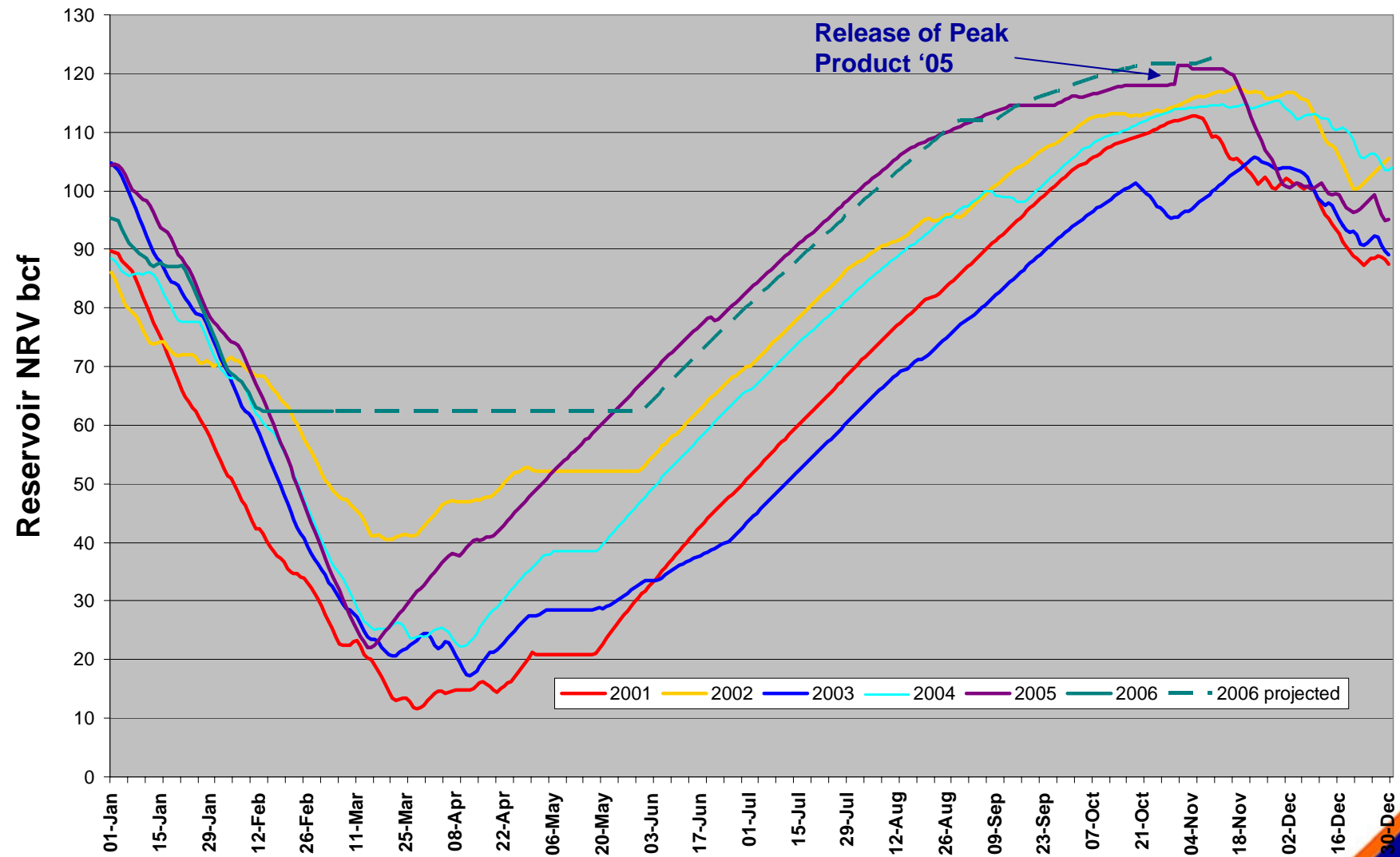
- Following milestones achieved
  - Restored stable power supplies
  - Replaced damaged platform lighting systems
  - All damaged structural beams replaced
  - Detailed commissioning plan developed and ready for implementation.

## Remainder of Recovery Plan

- Restart subject to rigorous programme of safety, integrity and functional commissioning to satisfy ICP and HSE.
- Re-cabling work nearing completion
- All piping materials procured, scopes defined and installation progressing

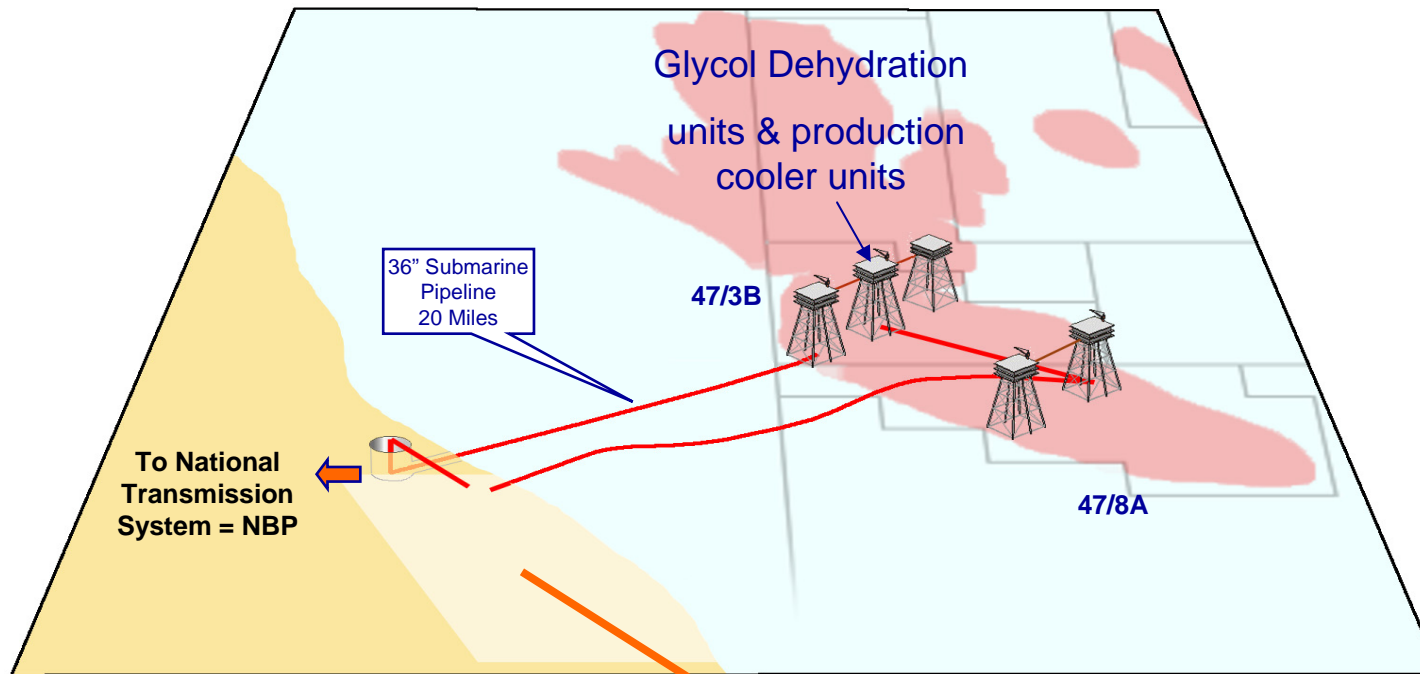
# Stock Movements over Previous Winters

## Outlook for Winter 06 - Injection





# Gas Production Process



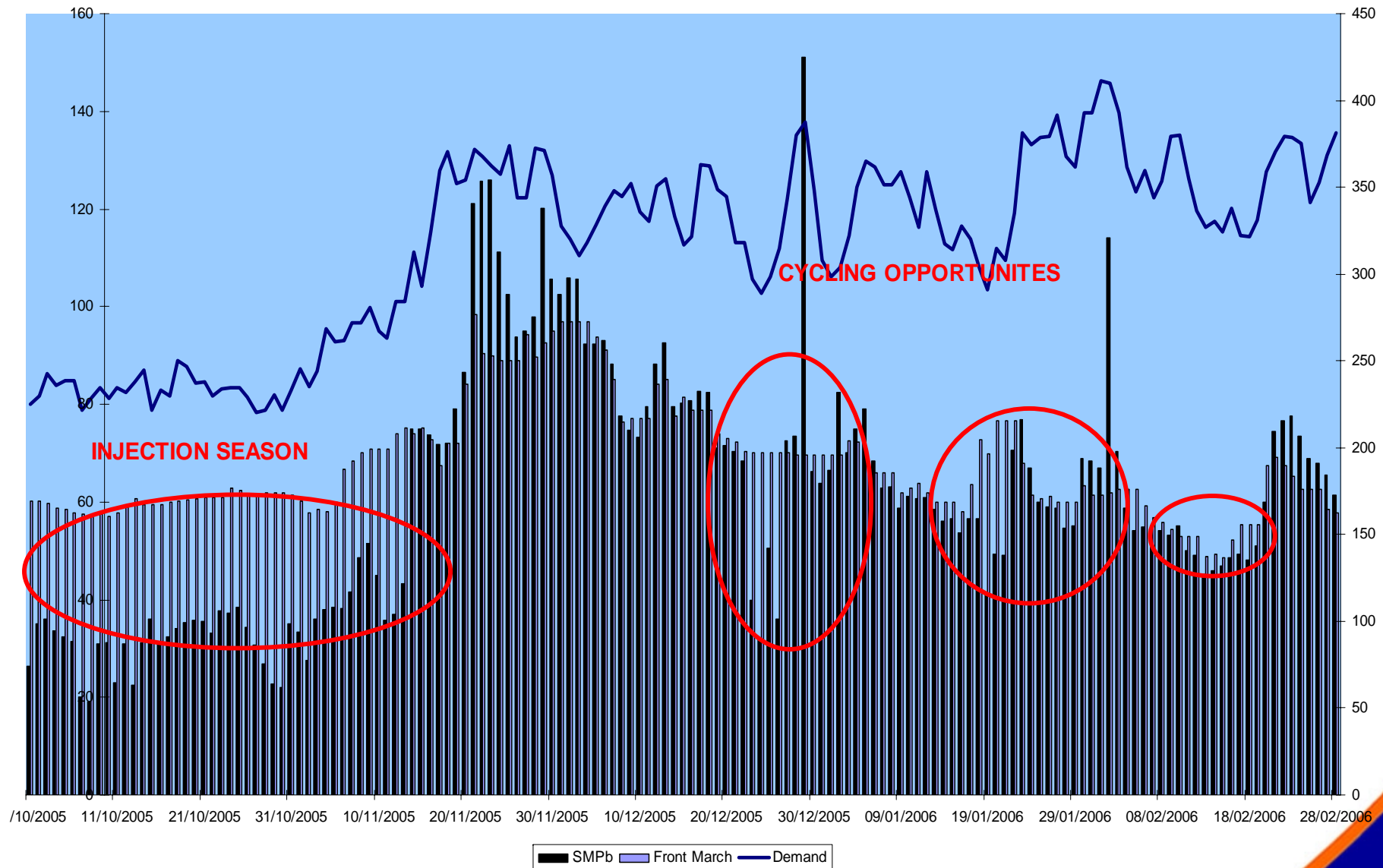
- Bypass dehydration and cooler units offshore and run 36" line to Easington Processing facility wet
- Processing onshore (remove duplication)
- Simplification of process
- Reduction of ongoing risks
- Annual maintenance – 10 days in early Sept





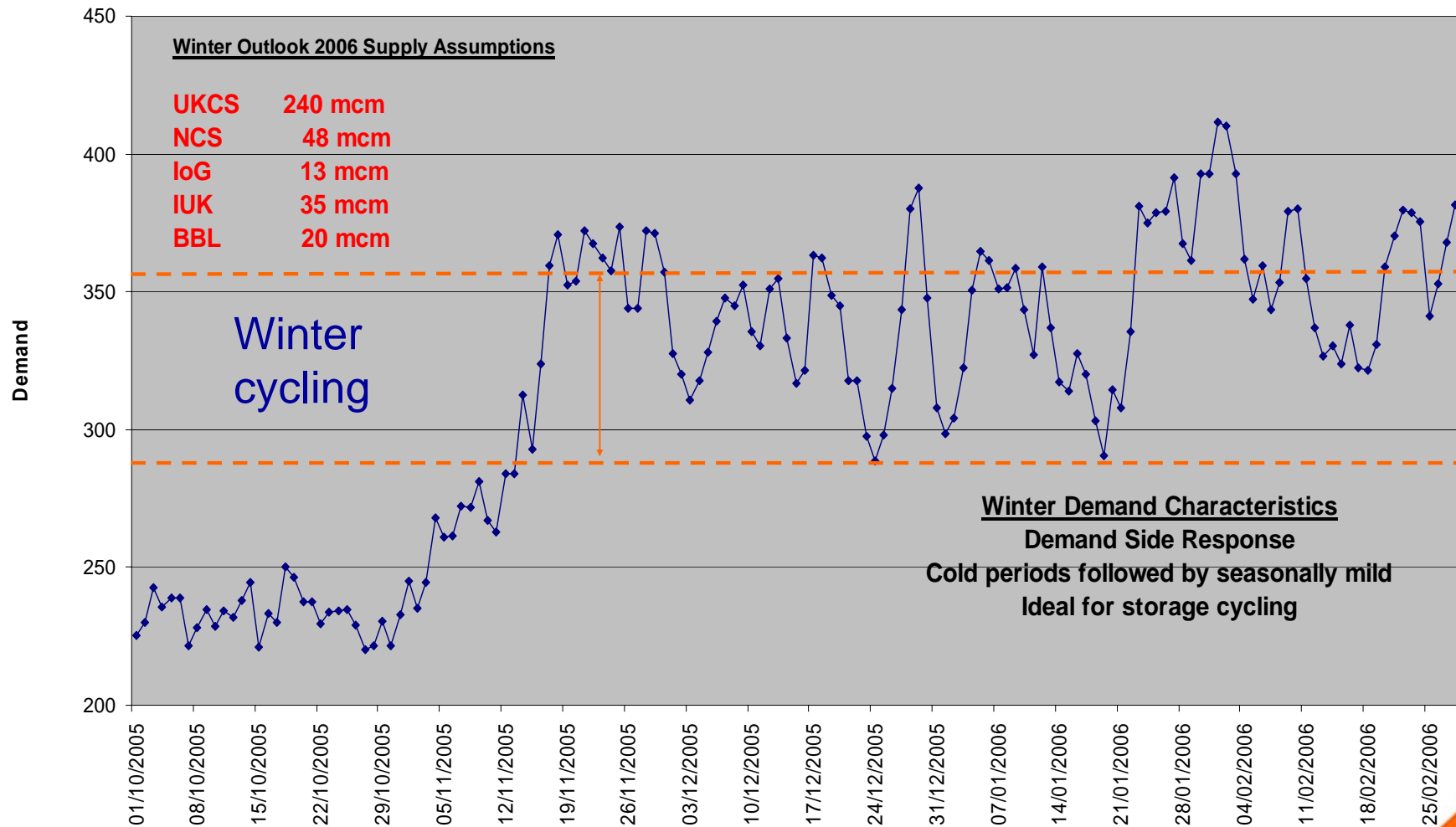
# Storage Cycling Opportunities – Winter 05

## Price driven

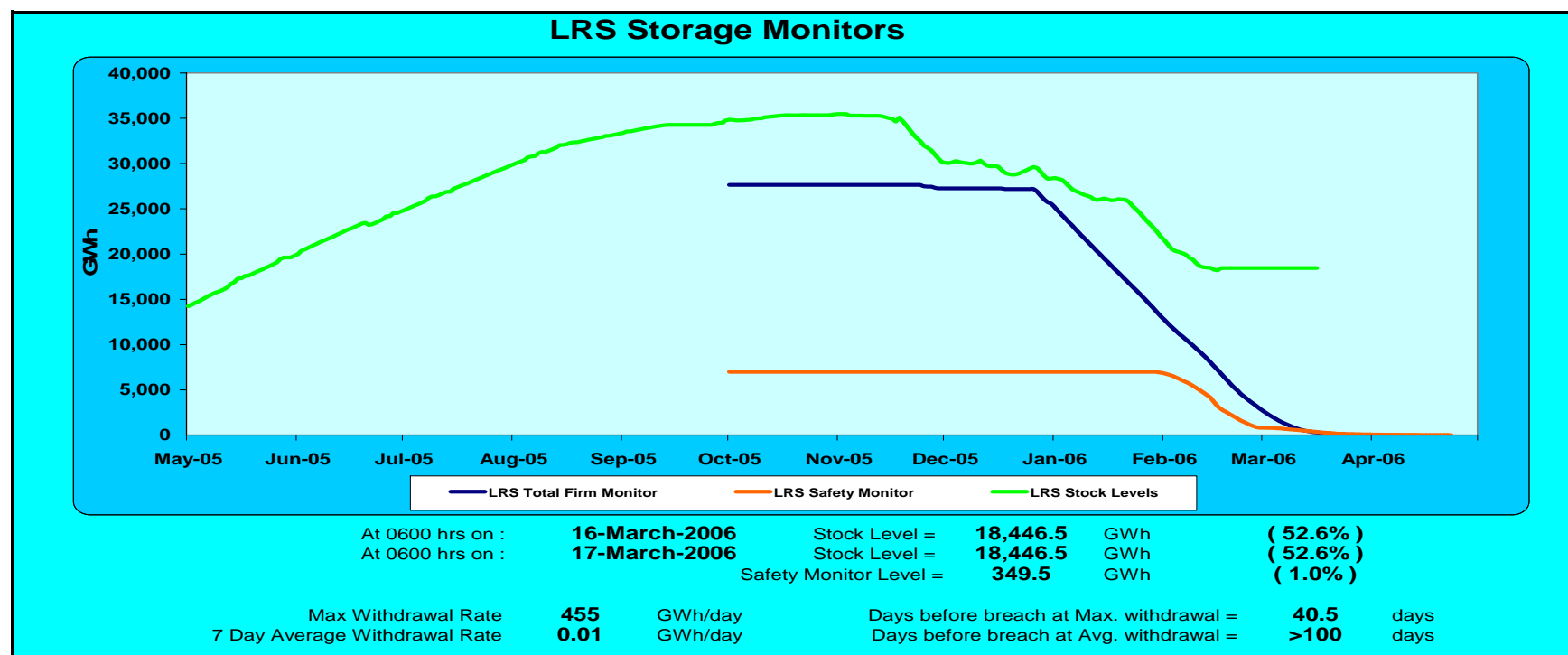


# ...but will the market accommodate storage cycling? Supply/demand driven

Winter Demand for Winter 05




# Storage Information



- <http://www.nationalgrid.com/uk/Gas/Data/misc/>
- <http://storit.centrica-sl.co.uk> (agg site noms within day)
- CSL supportive of attempts to drive forward transparency in the UK and Europe – identify bottlenecks in a liberal market
- Transparency allows a 'controlled' use of stored stocks in UK




## Strategic / Commercial Storage

- There are many ways to achieve Security of Supply (SOS), most notably via supply diversification and greater interconnection.
  - As per the SOS Directive, we should maintain output based standards, allowing Member States and the market to deliver the most cost effective and pragmatic solutions.
  - Ministerial 'Statement of Need' – National Interest for planning authorities welcomed
  - Development of strategic stocks could lead to :
    - undermining investments in existing and future commercial storage
    - huge investments that could be used to achieve SOS more efficiently (i.e. supply diversification)
    - substantial repercussions on gas prices
- 



# Summary

- Storage has a key role to play in efficient gas market and balancing
  - Market responding to need for more storage duration and demand/supply shocks
  - Increased interconnection creates the potential for storage cycling
  - CSL has spent £45m> investing in Rough and plans to spend more
  - CSL will continue to keep the market informed as work progresses to address the FM incident.
  - Currently expect sufficient capacity will be released to fill Rough before Winter 06
- 



# Centrica Storage Limited

## QUESTIONS

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