

A vertical strip on the left side of the slide showing a close-up of several electrical outlets and plugs, with a blue and white color scheme.

Looking ahead to winter 2006/07

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Overview

Initial phase of National Grid's Winter Outlook Consultation

- Challenging winter 05/06
 - Looking forward to 06/07
- ...Feedback essential...

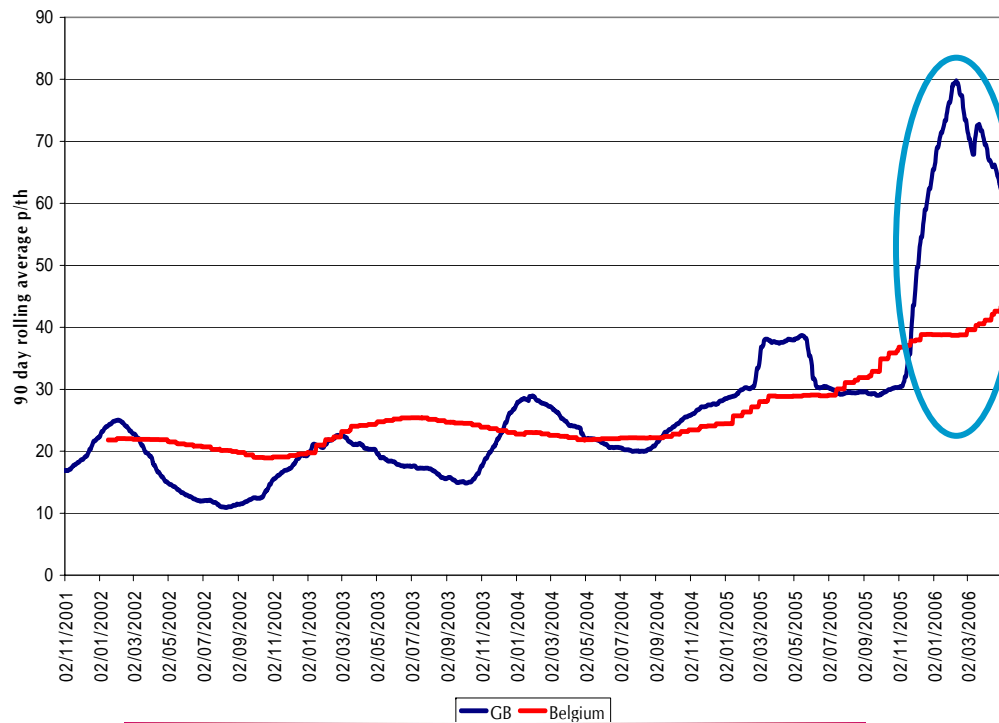
What is Ofgem doing?

- Key issues for the coming months

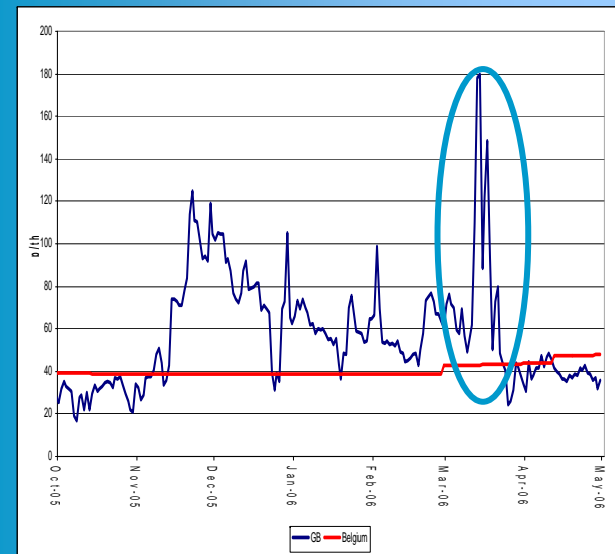
A blurred, blue-tinted image of a computer keyboard serves as the background for the slide.

Learning from the past

Wholesale gas price increases



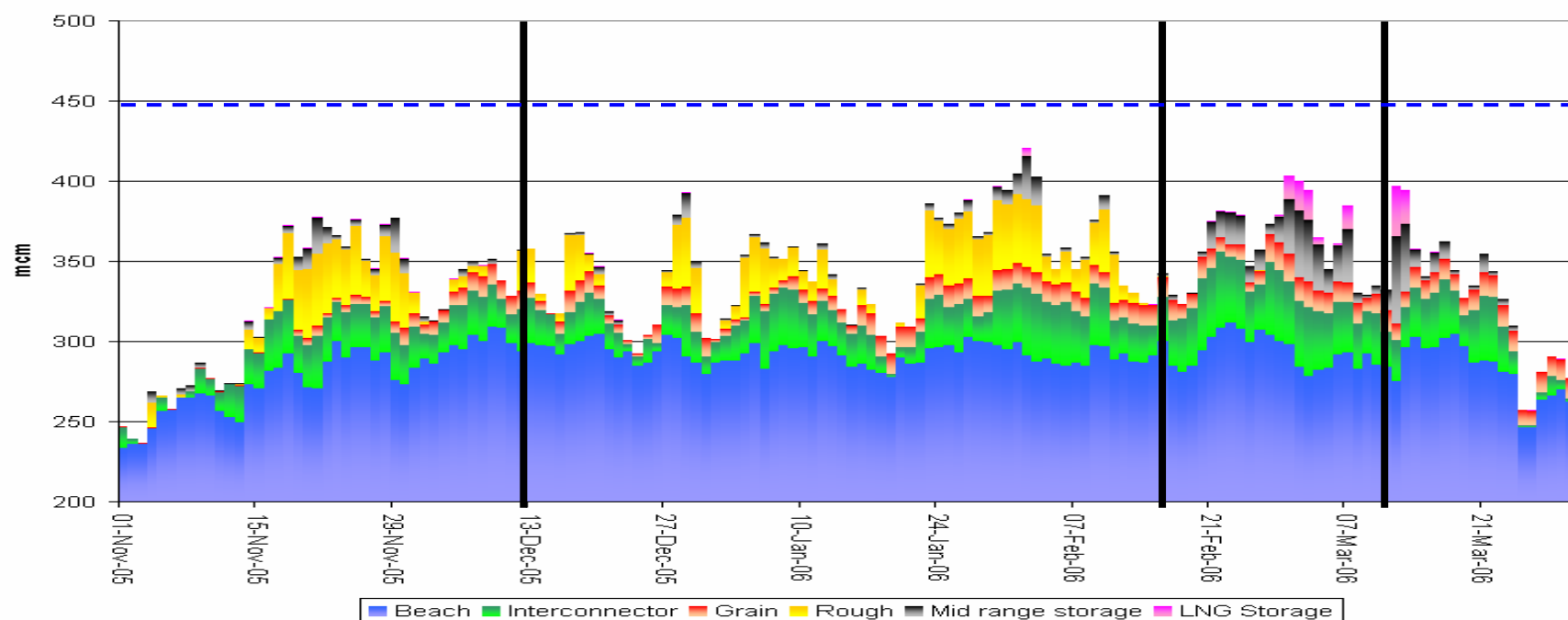
Long term trends – rolling average prices



Prices over winter 2005/06

Looking ahead to winter 2006/07

2005/06 - a winter of four parts



**Issues with
interconnector and
Grain**

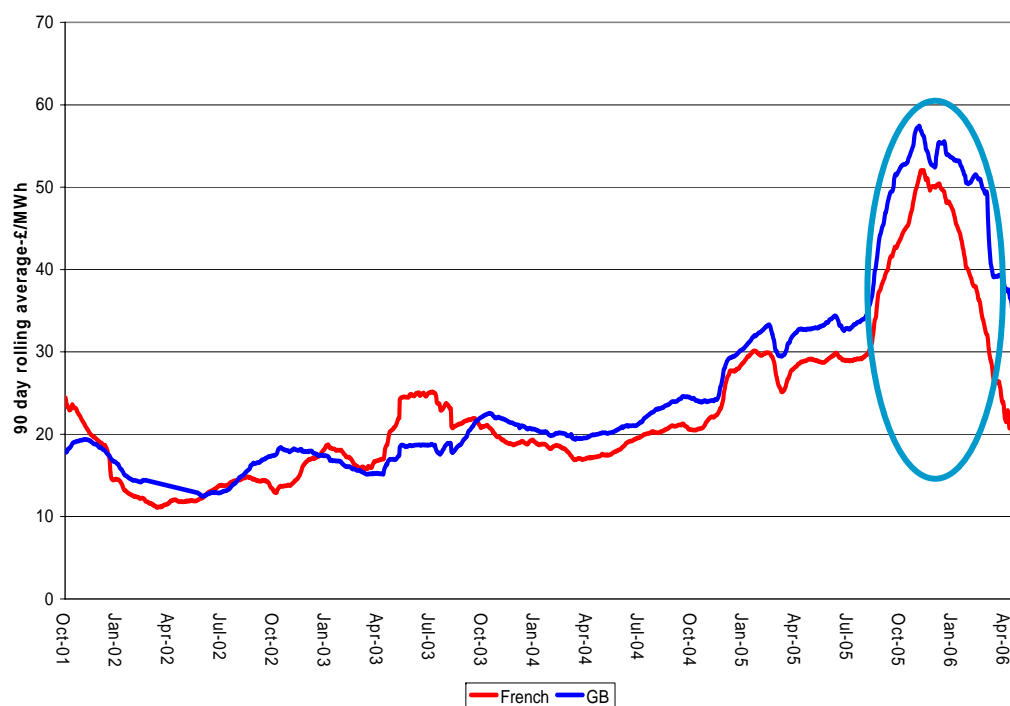
Improving performance

**Rough
unplanned
outage**

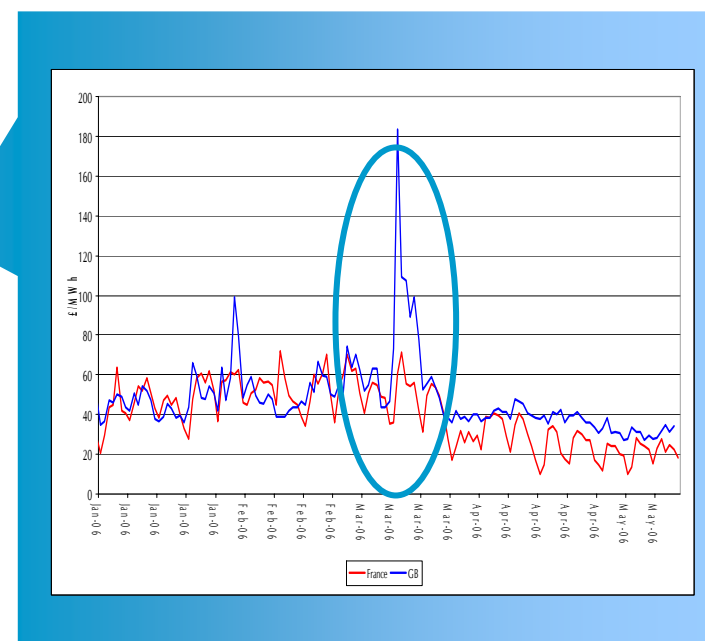
**Rough &
other
supply
issues**

Looking ahead to winter 2006/07

Wholesale electricity price increases



Long term trends – rolling average prices



Prices over winter 2005/06

Looking ahead to winter 2006/07

Electricity supply summary

Tightness at times

- 4 NISMs (Nov-Mar)
- 1 HRDR

CCGTs provided significant response to gas system

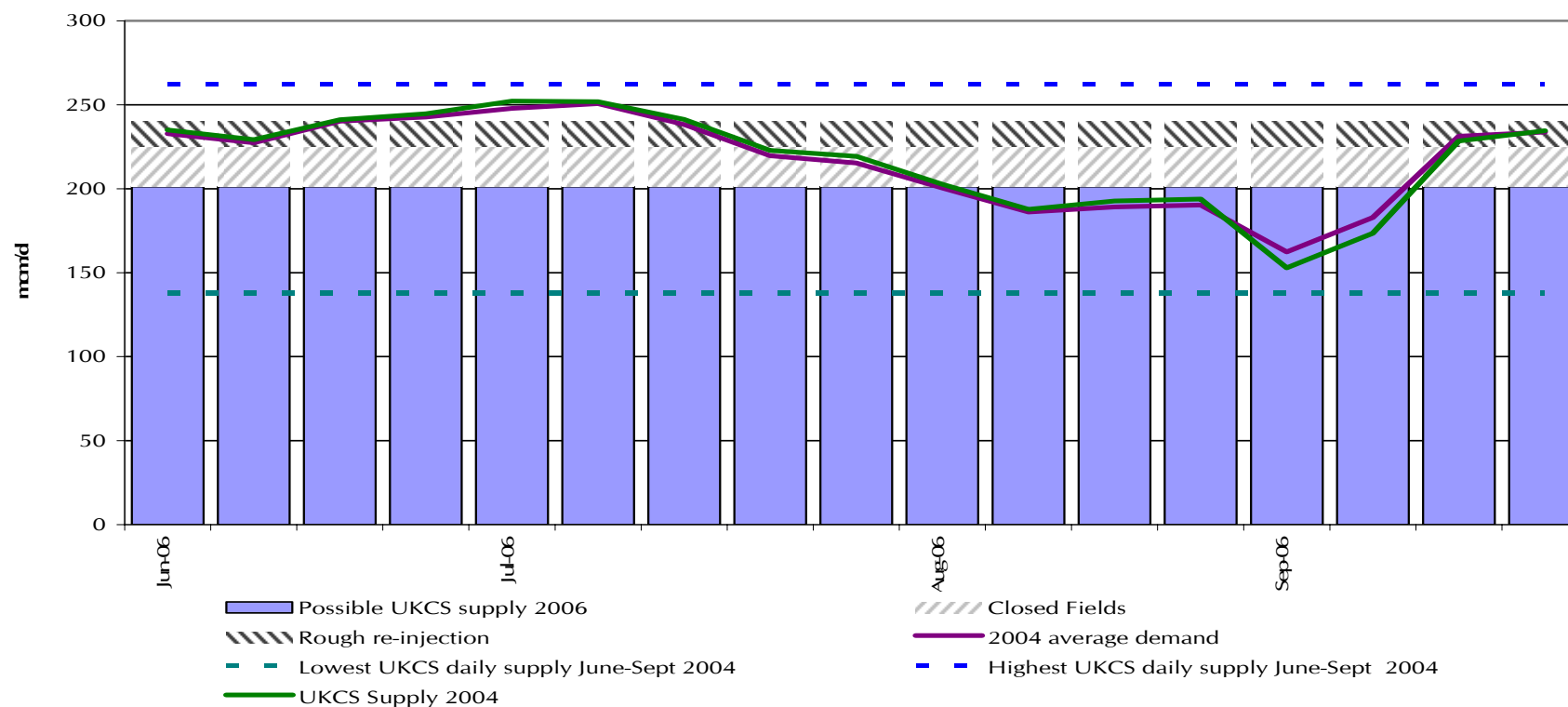
Considerable fuel switching

- Increase in coal vs gas generation
- Gas units switch to distillate

A background image showing a close-up of a gas meter and a three-pin electrical plug. The gas meter has a yellow display and a red needle. The electrical plug is white with three gold-colored pins. The image is slightly blurred and has a blue tint.

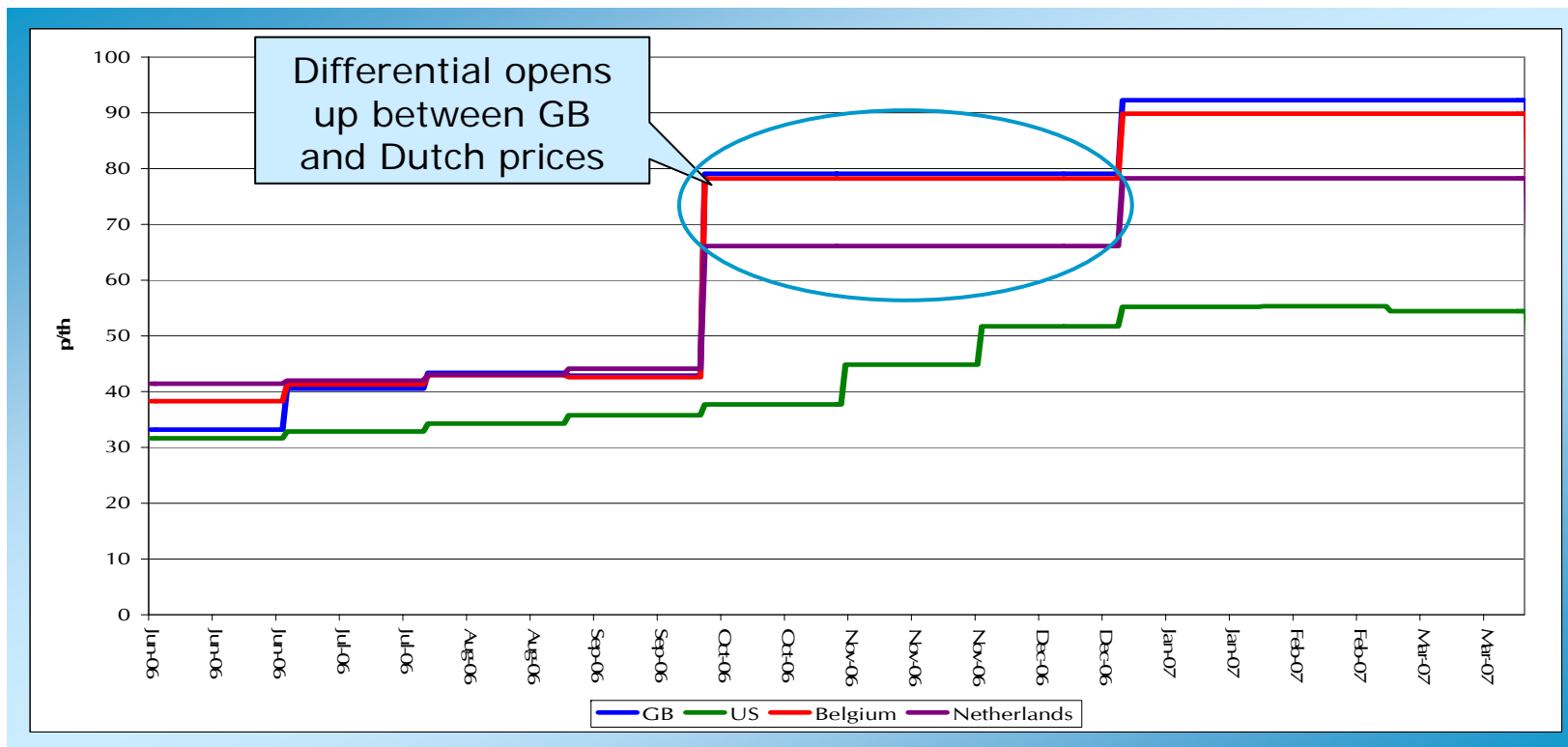
Looking ahead to Winter 2006/07 - Gas

Outlook for summer?



Possibility of tight supplies also over the summer

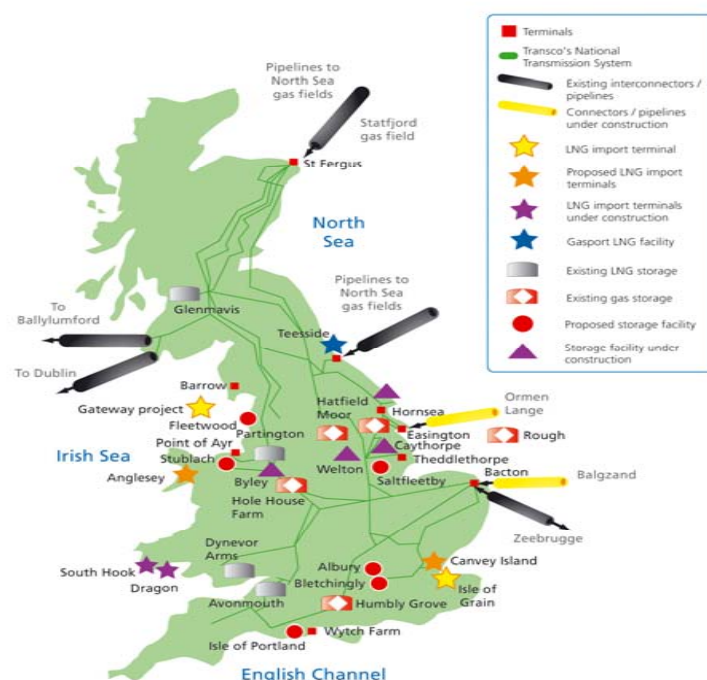
Wholesale gas market expectations



Gas forward prices

Looking ahead to winter 2006/07

New infrastructure



2006/07

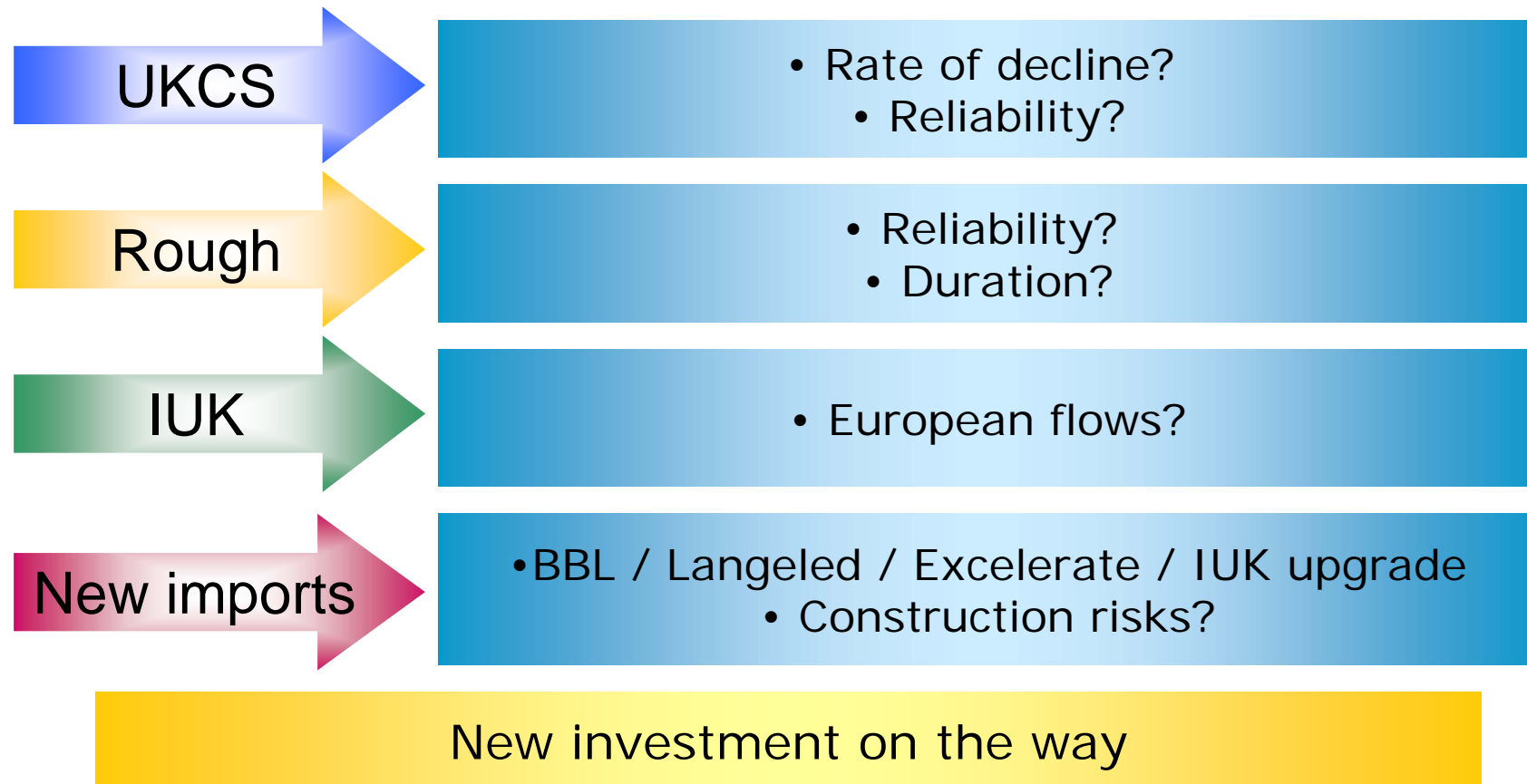
New links with Norway and the Netherlands plus extension of the link with Belgium

2007/08

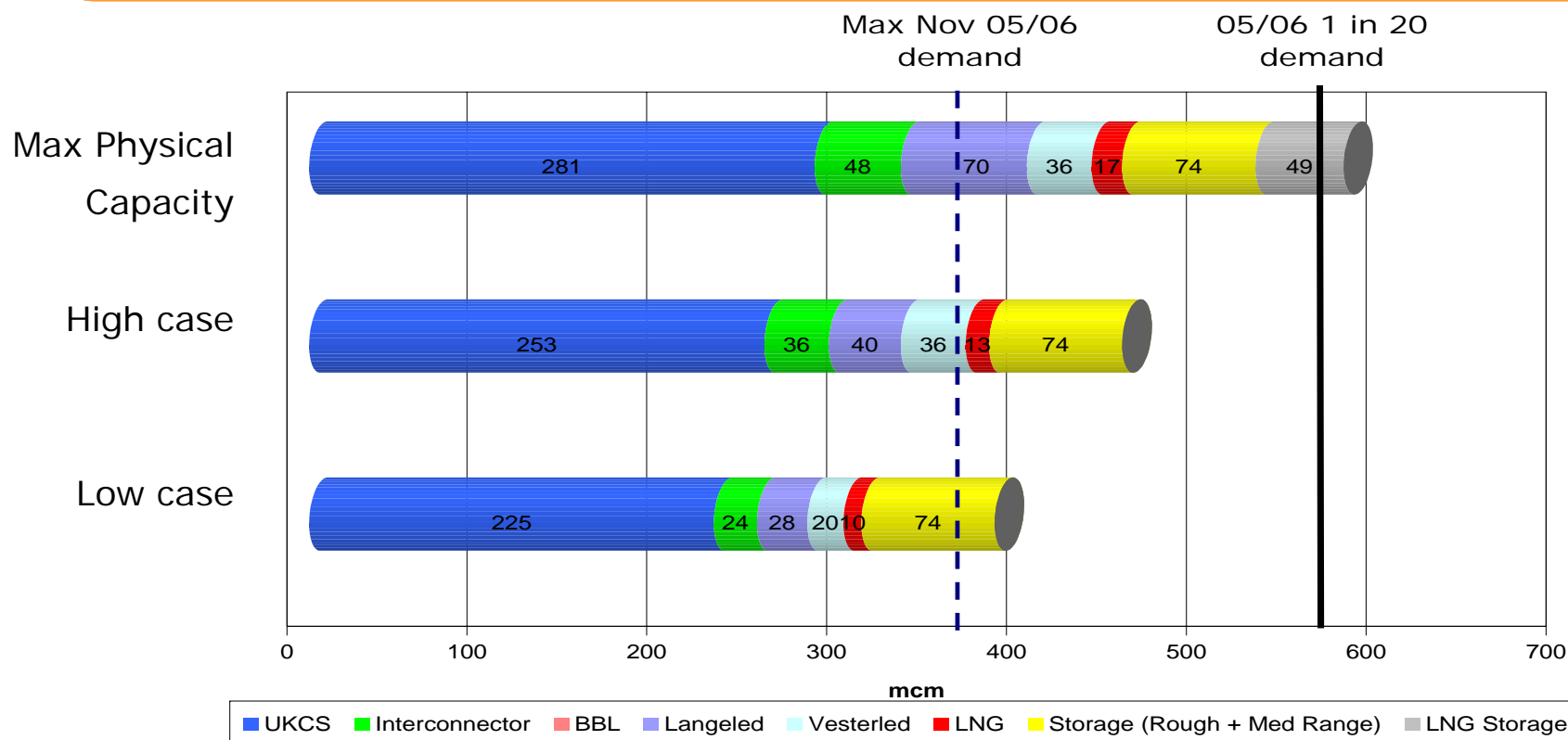
New LNG terminals plus expansion of links with Norway and the Netherlands

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

Gas winter outlook for 2006/07

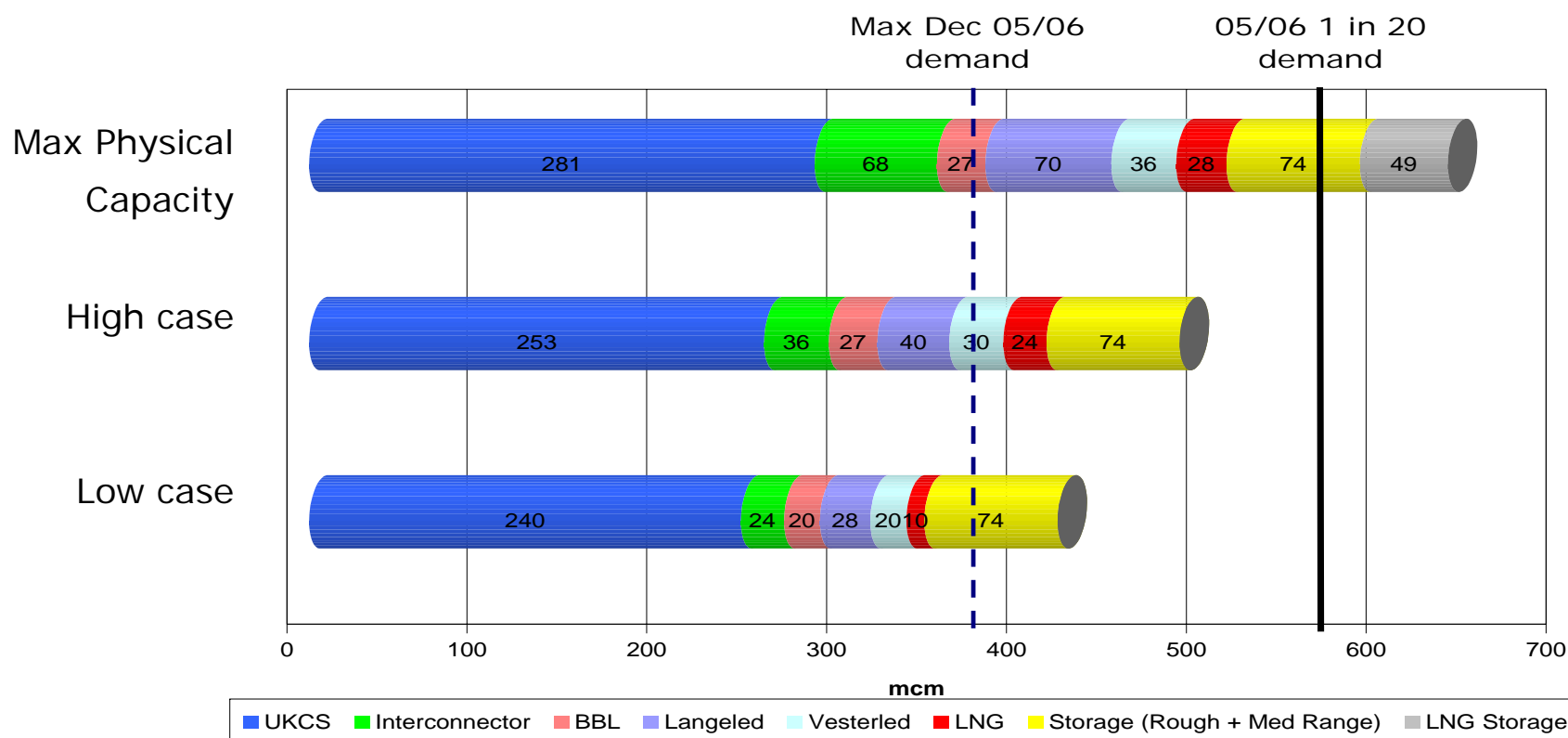


Gas supply picture - November



* Your views are important *

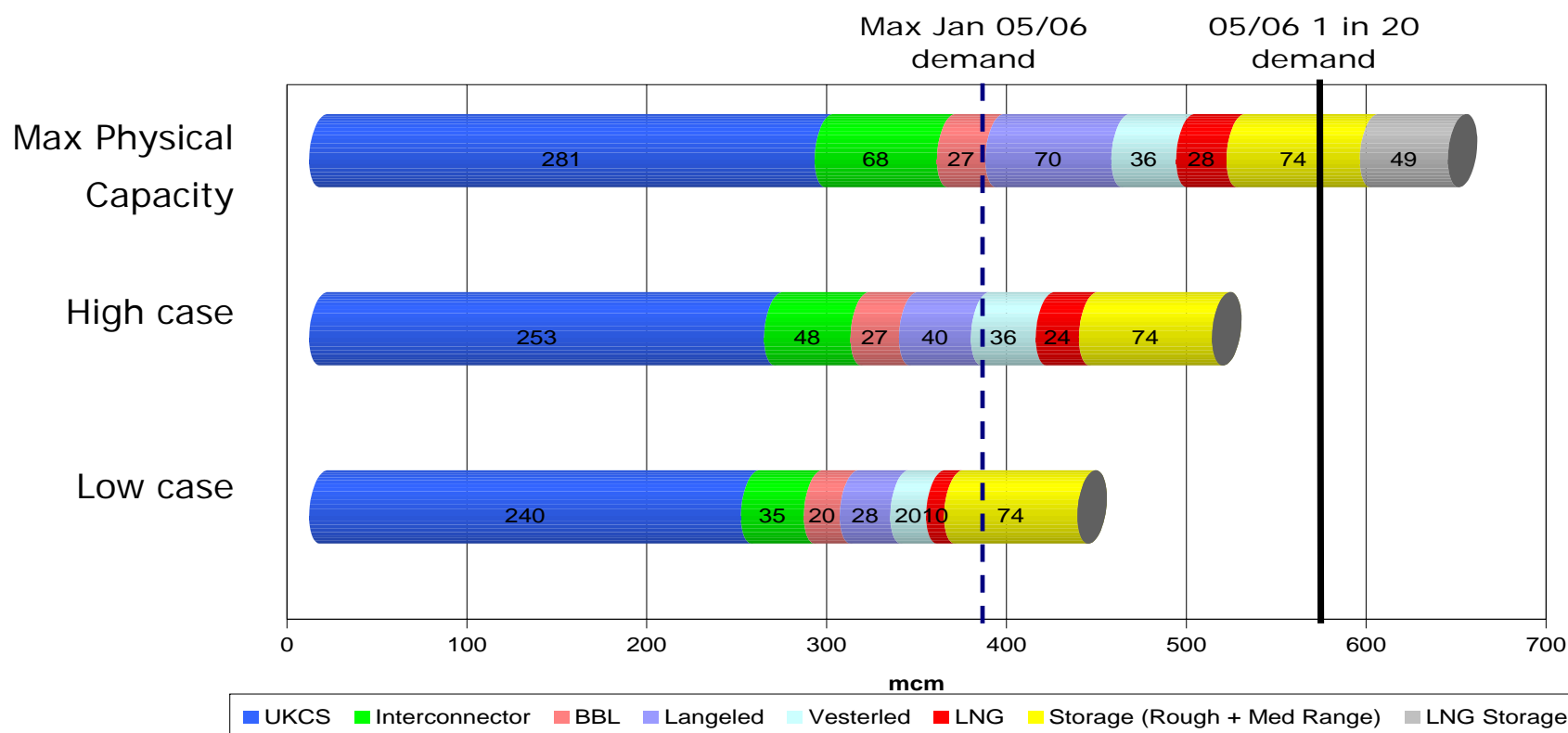
Gas supply picture - December



* Your views are important *

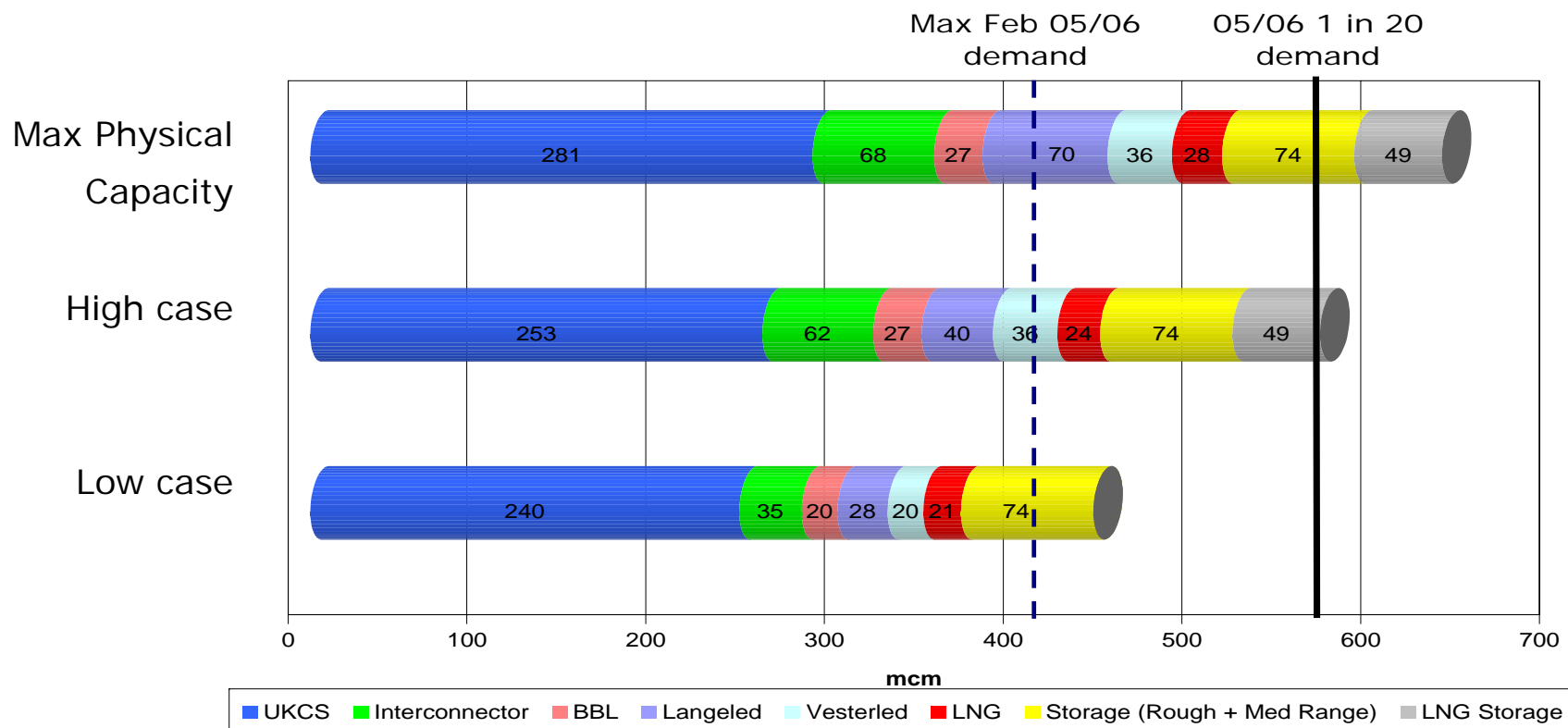
Looking ahead to winter 2006/07

Gas supply picture - January



* Your views are important *

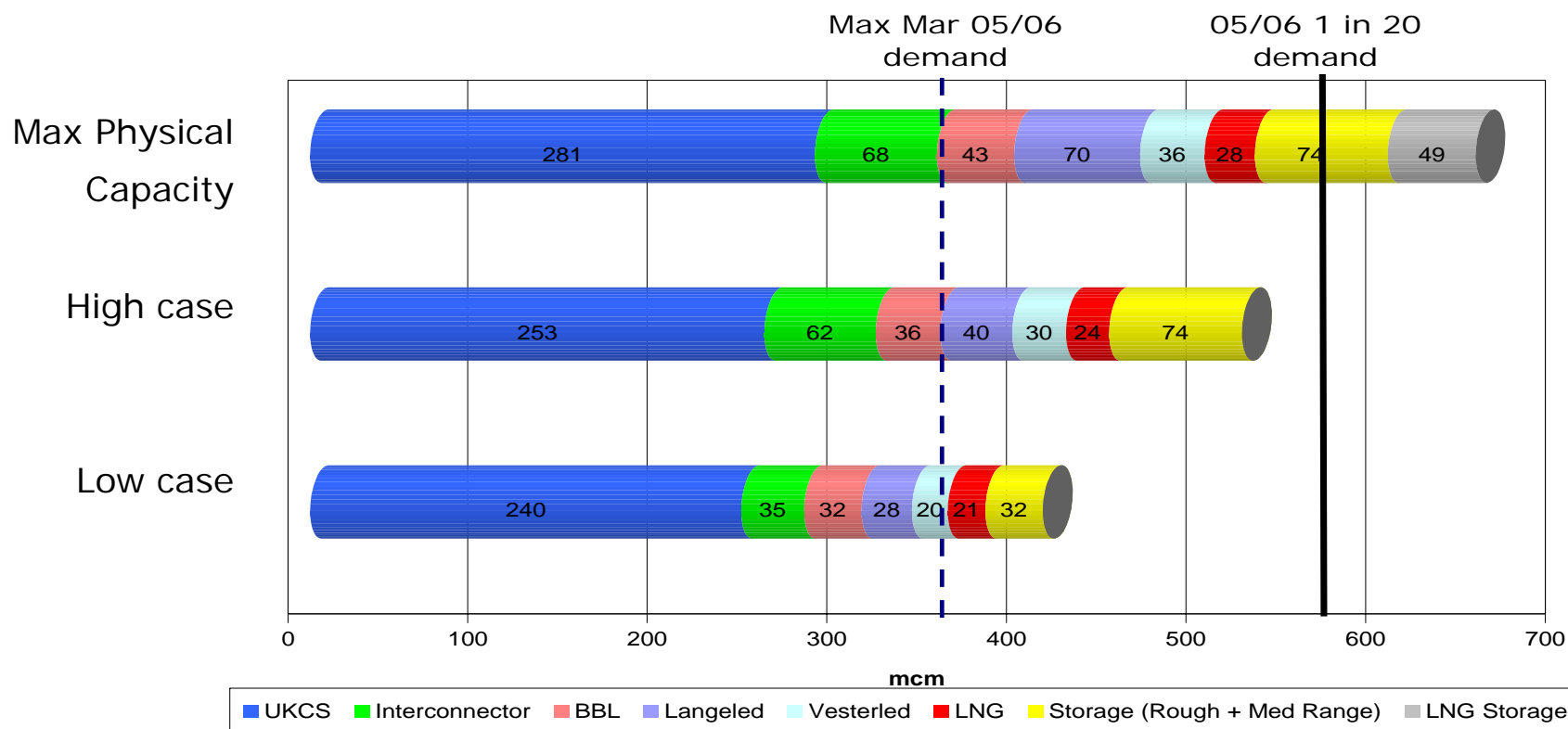
Gas supply picture - February



* Your views are important *

Looking ahead to winter 2006/07

Gas supply picture - March



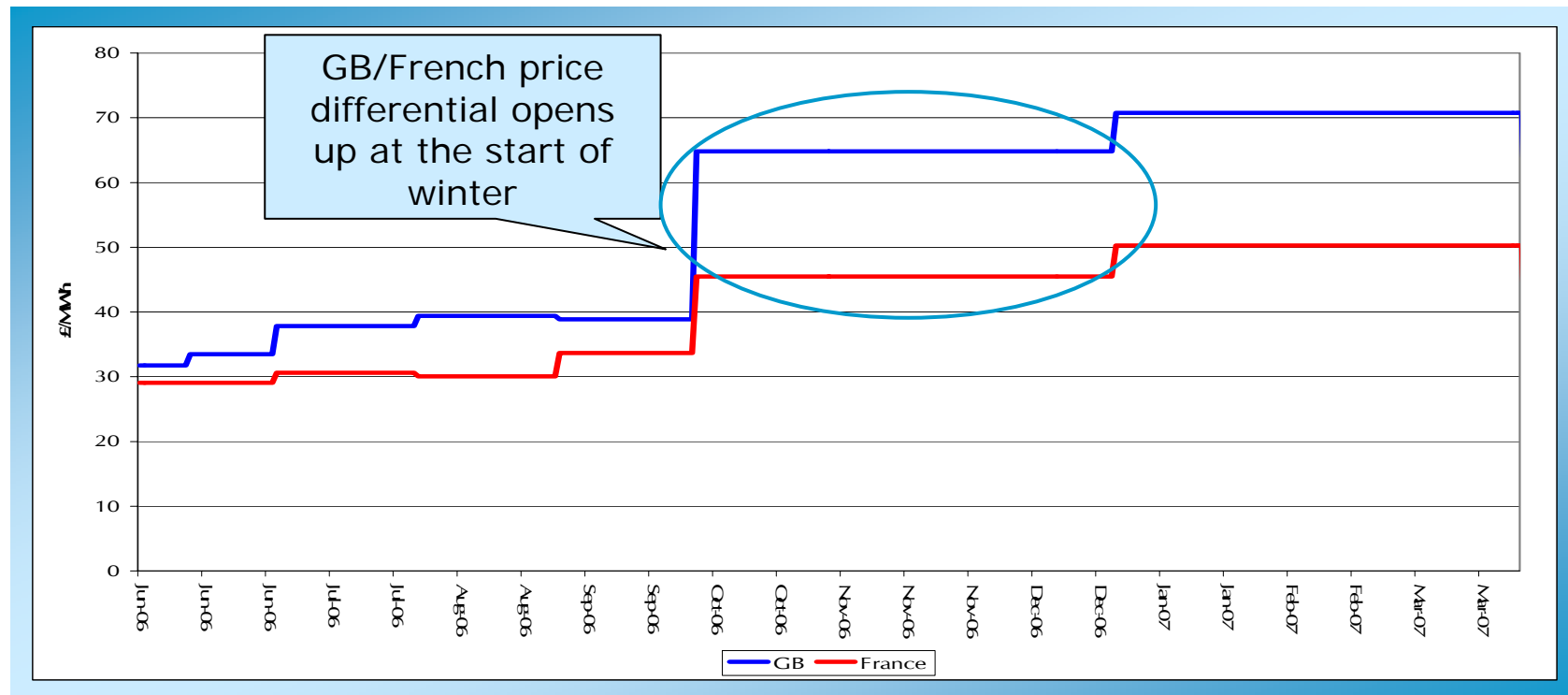
* Your views are important *

Looking ahead to winter 2006/07

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

Looking ahead to Winter 2006/07 - Electricity

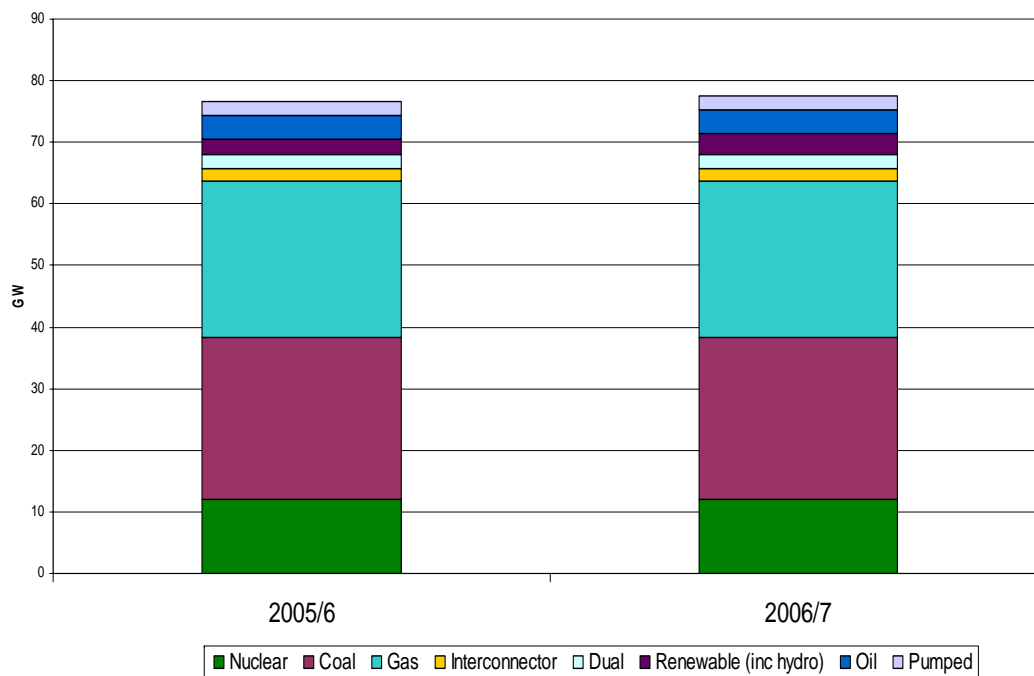
Wholesale electricity market expectations



Electricity forward prices tracking gas prices

Electricity winter outlook for 2006/07

Generation capacity 05/06 – 06/07



- Generation availability similar to last year
- Healthy margin – 21%
 - Result of inputs
 - Impact of carbon

CCGT interaction remains key in balancing gas supply & demand

Ofgem's work ahead of 2006/07

Work ahead of winter 2006/07

European Flows

- European Companies;
- European Commission

- Greater info transparency across Europe e.g. storage
- Further enhancement in GB?

Information provision

DSWG

- Demand forecasting incentive; website performance incentive?
- Barriers to customer DSR?

- NG gas blending study at Bacton
- Other entry points?

Gas Quality

Gas Safety Reserve

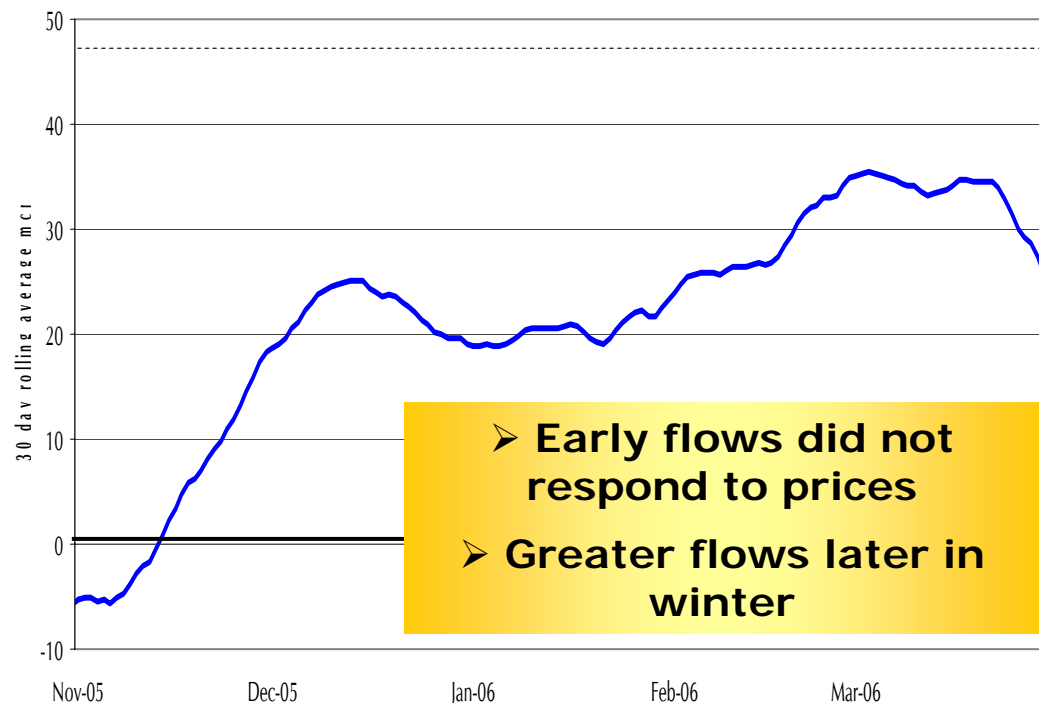
- Current arrangements for winter 06/07?

- Winter outlook
- Options for Energy Buyers
- Winter to date

Seminar programme

European flows

IUK Flows



Ofgem has met with key companies

European storage position key to explaining pattern of flows

Not likely to change year on year

Greater transparency across Europe vital

Initiatives ahead of winter – new incentives on NG?

Information to the market

- New incentives on NG are being considered
 - Consultation on these issued in May
 - Responses due 23-Jun

Website performance
incentive

Demand forecasting
incentive

Initiatives ahead of winter – NG procurement of gas reserve?

Questions re how reserve may be procured

- Gas Safety Reserve Group discussions:
Market vs. National Grid procurement?
- New UNC Modification Proposal 0086
“Introduction of gas reserve arrangements”
- urgent status granted

Ofgem welcomes early consideration of these issues by industry

Summary

NG's Initial Winter Outlook 2006/07

- Enhanced consultation process
- Use of seminars to access wide range of market participants
- Perspectives from across the supply chain
- Updates from new infrastructure operators

**** Customer and market participant
feedback essential ****



Promoting choice and value for all
gas and electricity customers