

Winter Outlook 2006

Observations from a storage operator
June 2nd 2006

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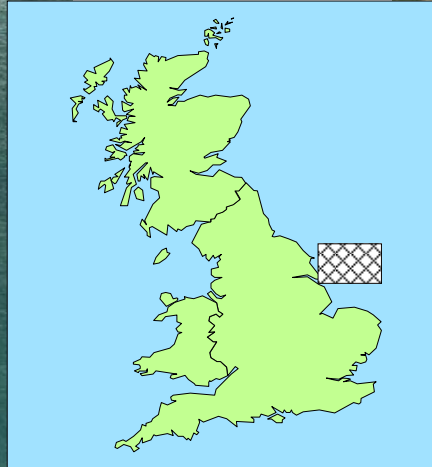


Observations about Rough Storage use for Winter '06

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**
 - **Market Information**
5. **Commercial storage v's strategic storage**



Introduction to Centrica Storage



Offshore – 2 platform complexes

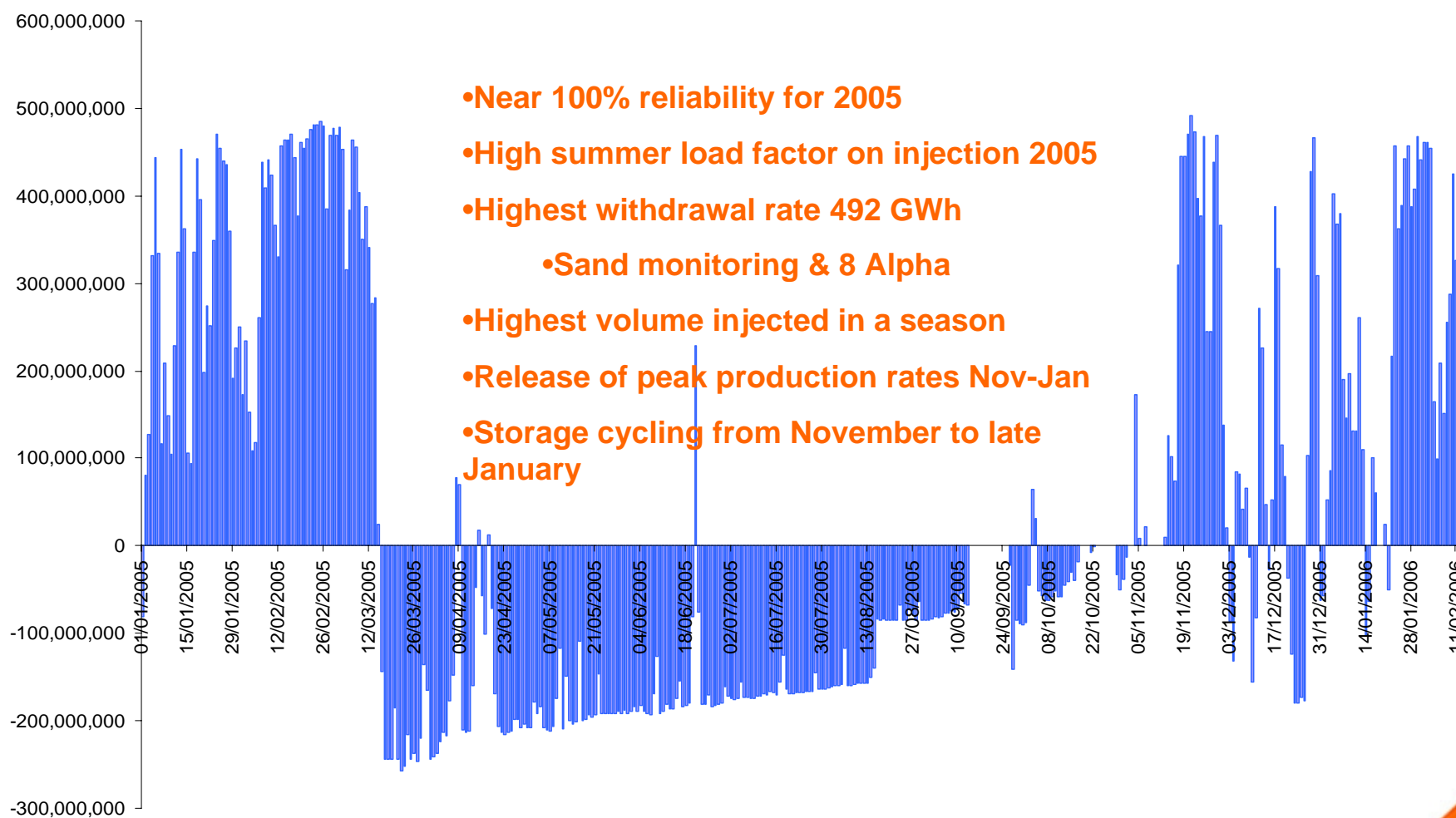
Easington Terminal

- 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 - diversification

CSL – Rough Performance to Mid Feb 06

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

Net Storage Movement





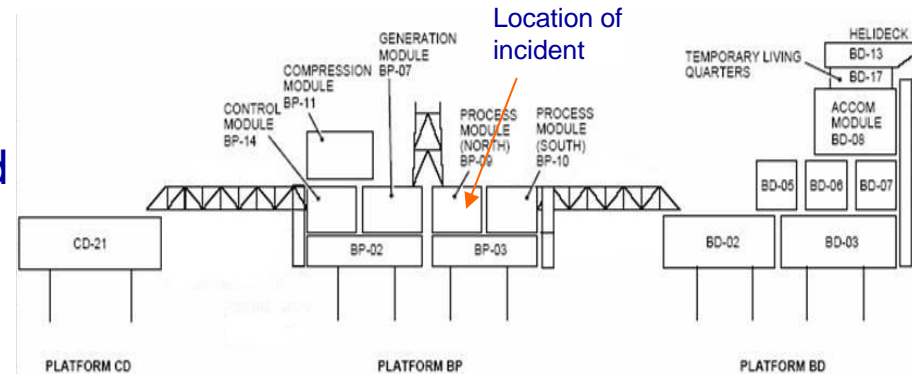
Rough incident – 16th February 2006 (1)

- Updates weekly every Friday or when new information is known
 - https://storit.centrica-sl.co.uk/storit/p_cust_security.logon
(Click to Logon to Public area)
and 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
 - Platform 3B fully re-manned from early March to enable full re-construction, investigation and damage assessment
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Rough incident – 16th February 2006 (2)

Damage Assessment

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



- Selected Milestones achieved
 - Restored stable power supplies
 - All 57 PSV removed for repair/overhaul - 24 re-fitted
 - Injection Compressor control packages repaired and repowered
 - All damaged structural beams replaced
 - Emergency Shutdown/Fire and Gas detection/protection systems testing on schedule
 - Detailed commissioning plan developed and ready for implementation



Work schedule and material delivery issues have led to some slippage in the pipework modification work

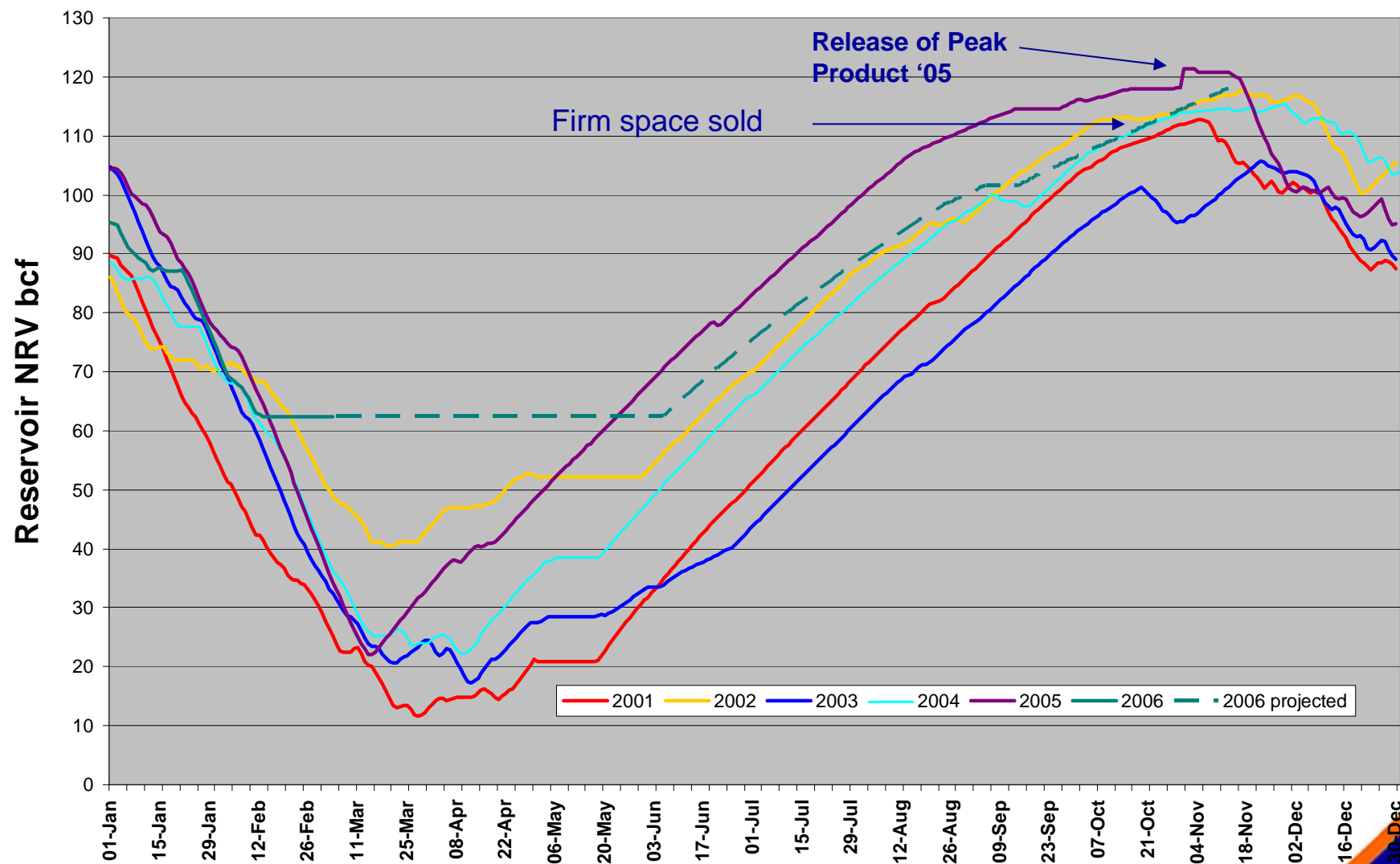
Remainder of Recovery Plan

- Re-cabling work nearing completion
- Mechanical completion of ALL repair work is expected within the period 3 to 7 June
- Restart subject to rigorous programme of safety, integrity and functional commissioning to satisfy ICP and HSE.
- Re-pressurisation, commissioning and testing will take approx. 6 days after mechanical completion
- Gas injected into the facility during this period will be allocated to customers
- Full production rates expected to be available at latest 1st October 2006

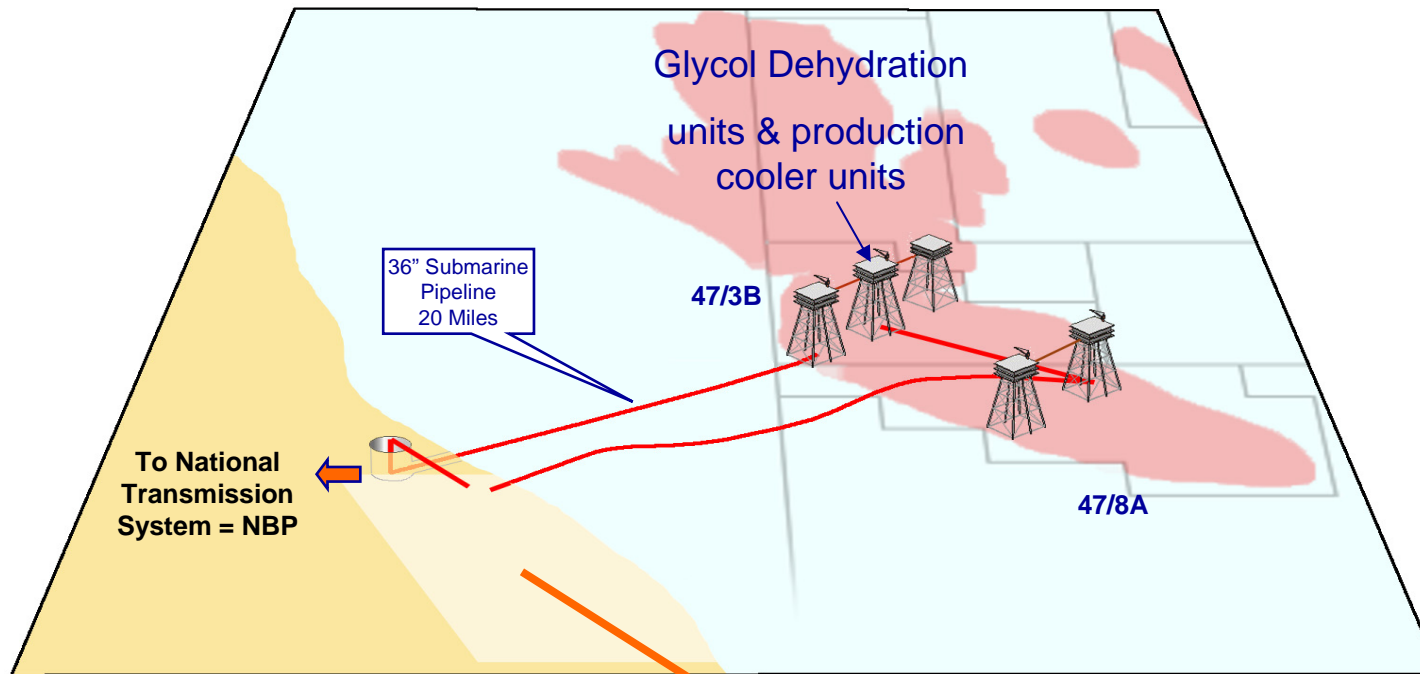


Stock Movements over Previous Winters

Outlook for Winter 06 - Injection



Gas Production Process

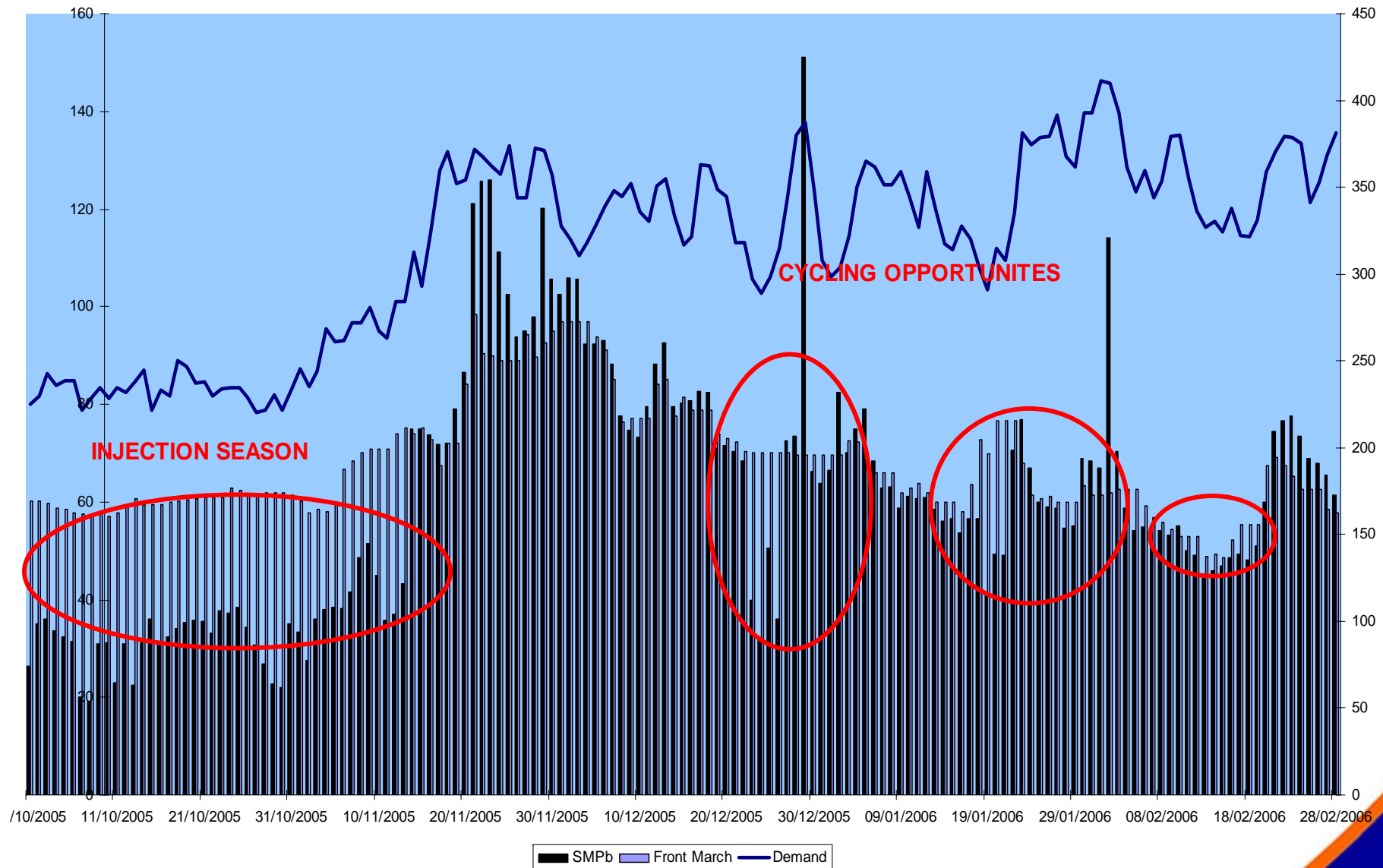


- Bypass dehydration and cooler units offshore and run 36" line to Easington Processing facility wet
- Processing onshore (remove duplication)
- Simplification of process
- Annual maintenance – 10 days in early Sept



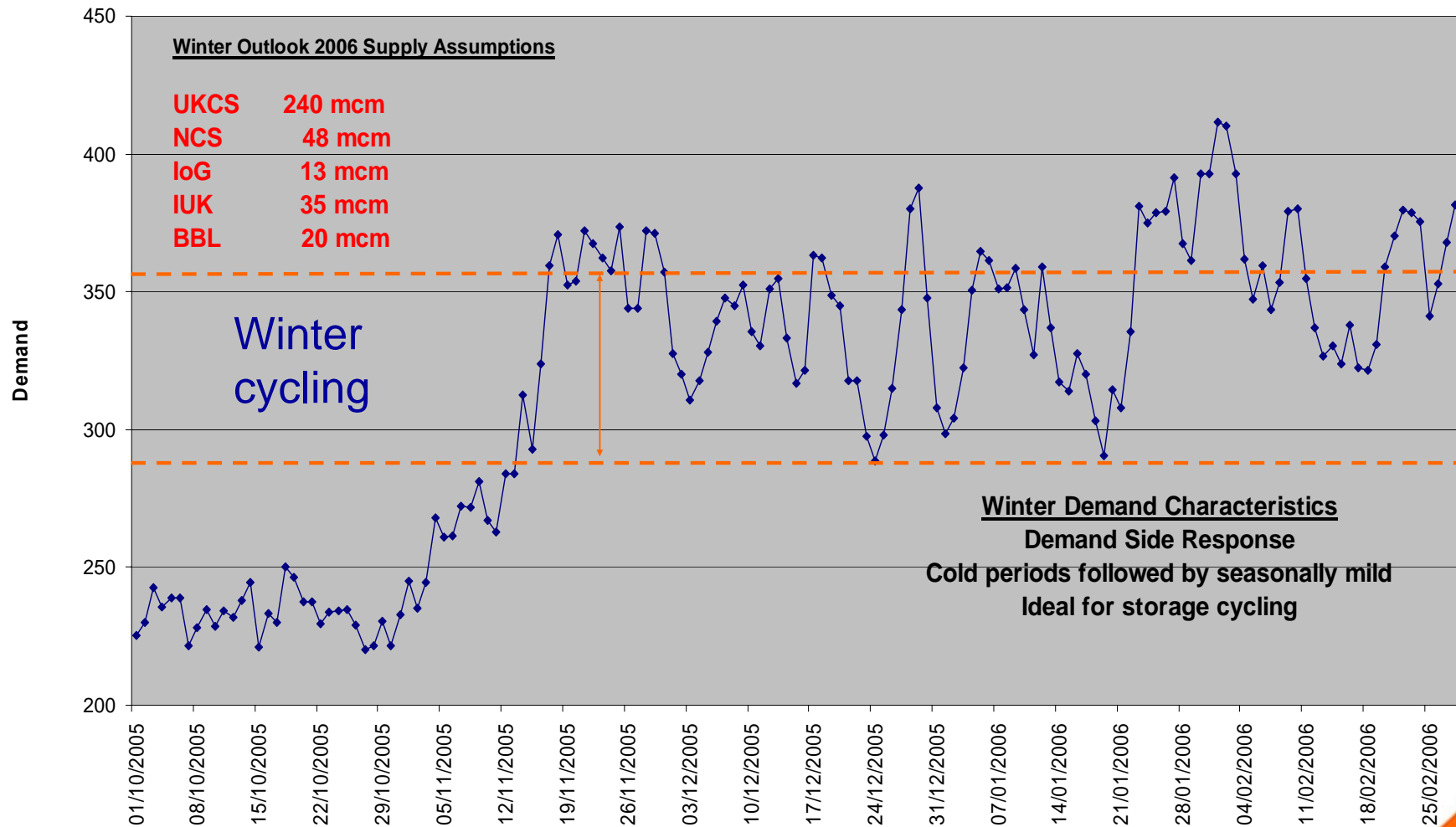
Storage Cycling Opportunities – Winter 05

Price driven

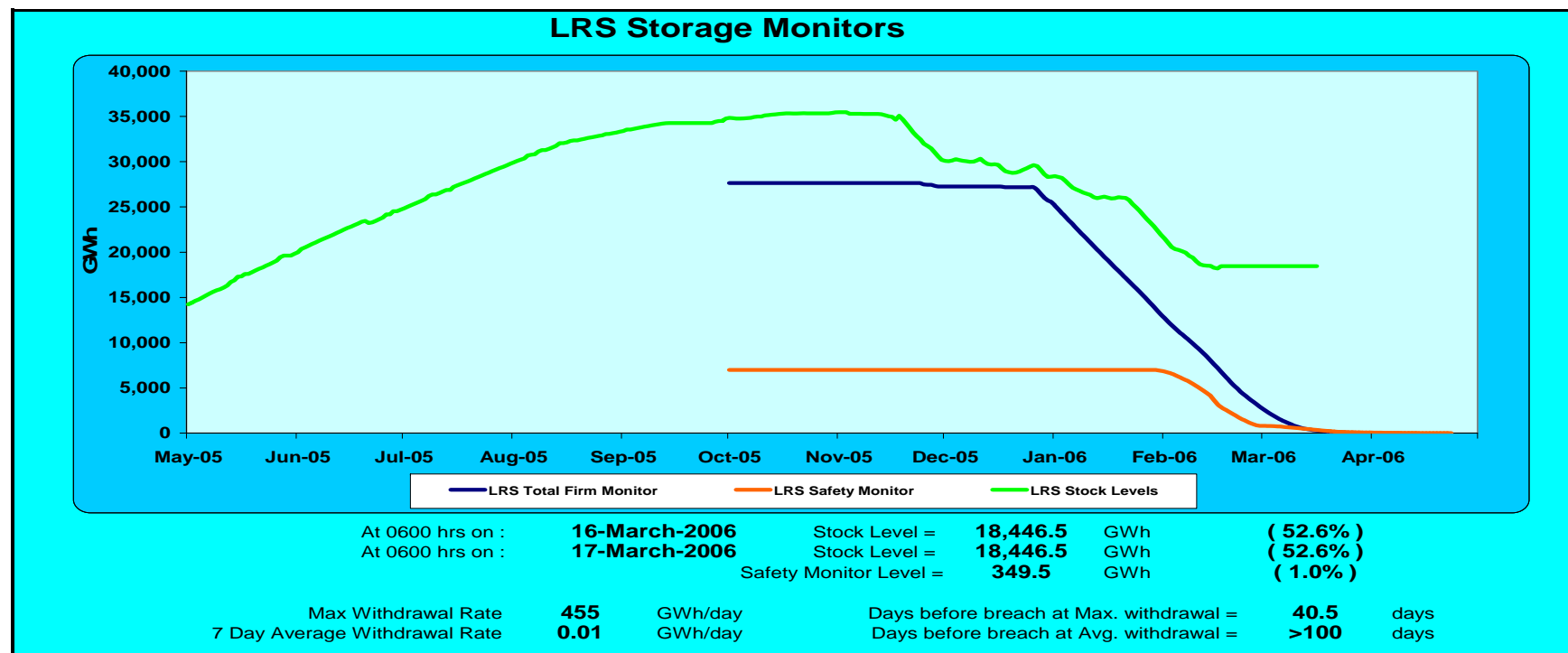


...but will the market accommodate storage cycling? Supply/demand driven

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
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QUESTIONS

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