

A background image showing a close-up of electrical components, including a white plastic outlet with two gold-colored prongs and a blue plug being inserted into it. The image is slightly blurred and has a blue tint.

Options for Energy Buyers Looking ahead to Winter 2006/07

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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

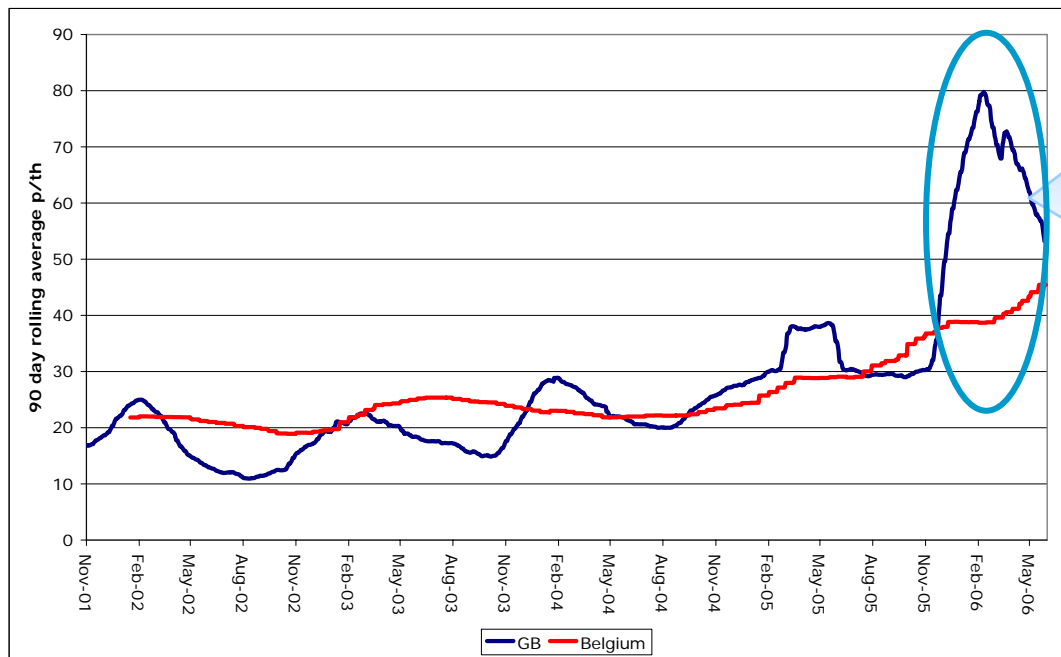
- Customers & Suppliers

- Opportunity to discuss and consider options ahead of winter

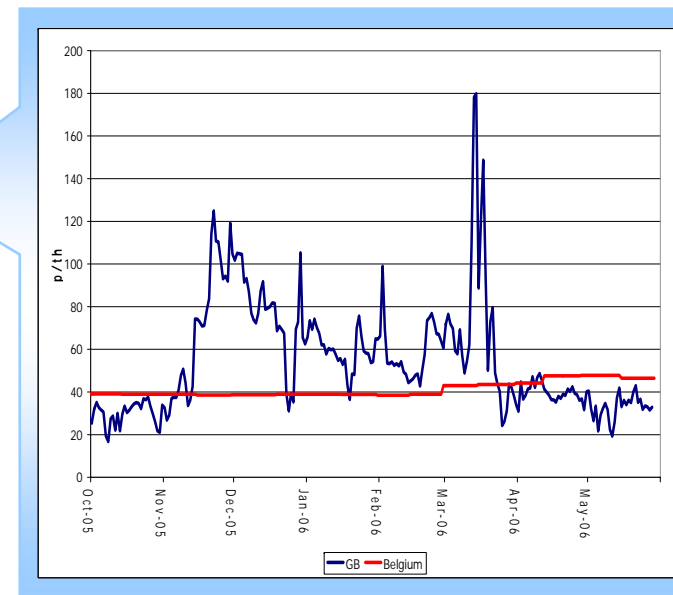
A blue-tinted background image showing a close-up of a power plug and a meter. The plug is on the left, and the meter is in the center. The text "Experience of Winter 2005/06" is overlaid on a white rounded rectangle in the center.

Experience of Winter 2005/06

Price trends

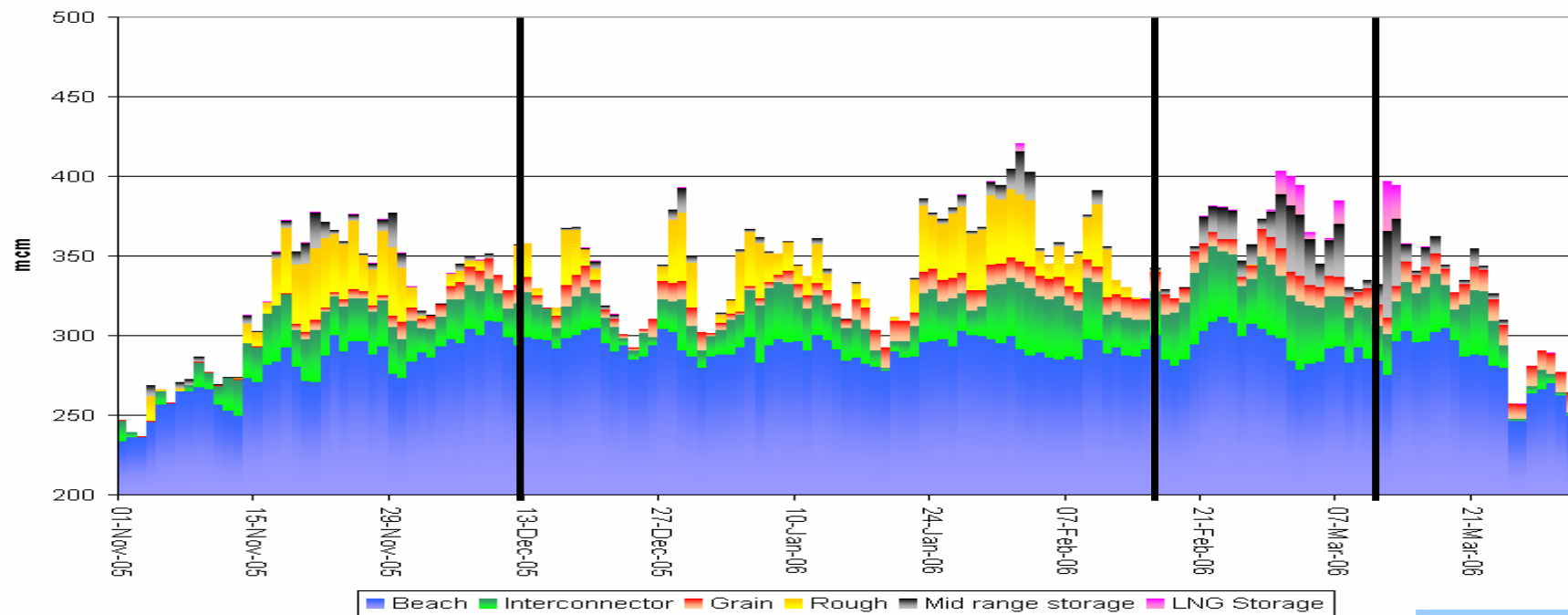


Long term trends – rolling average prices



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

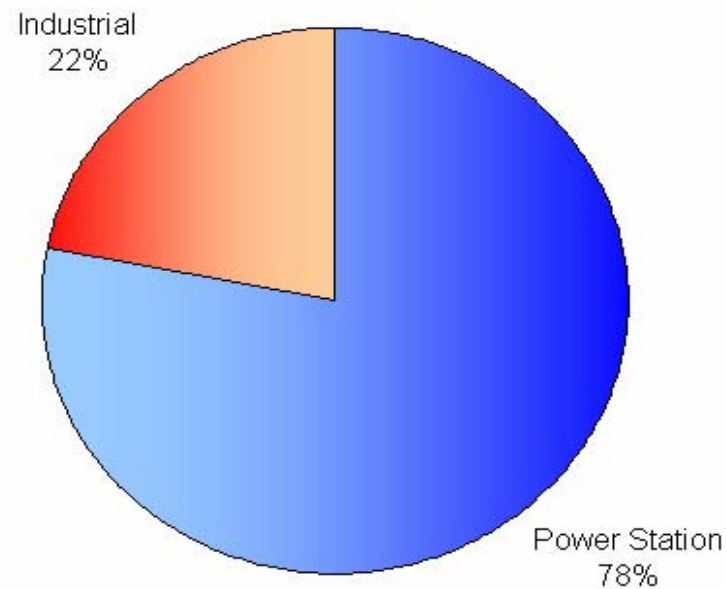
Winter 2006/07

Customer options

Ofgem's work

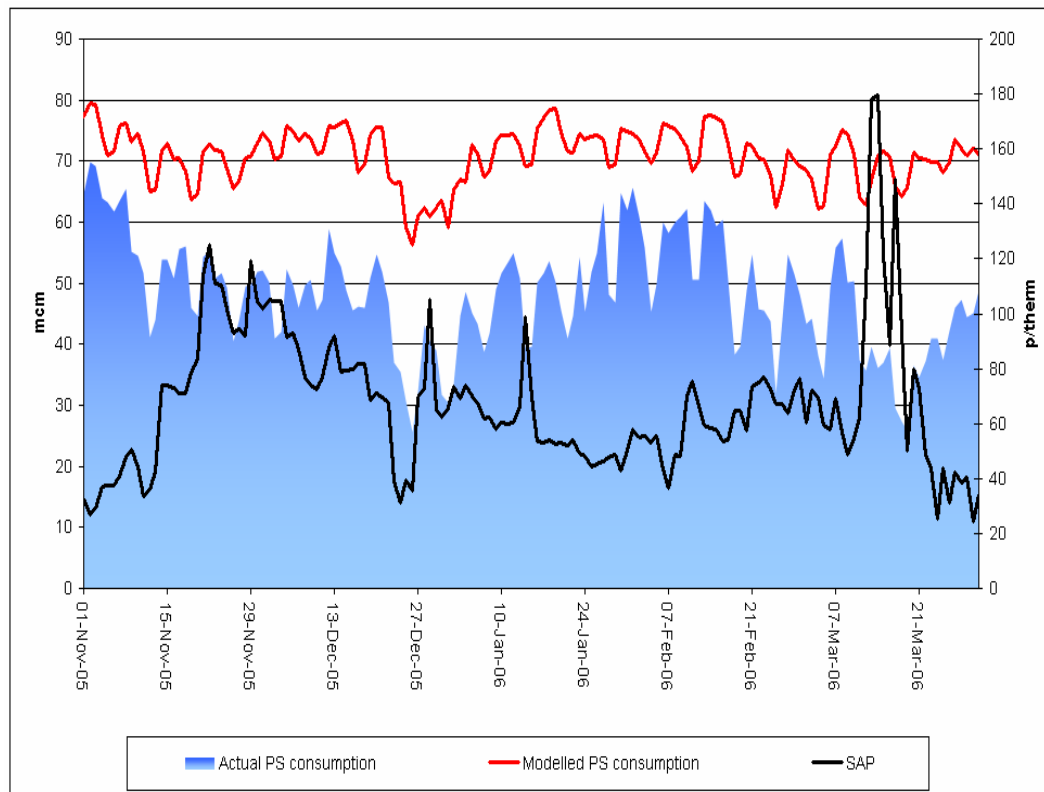
Options for Energy Buyers – June 2006

Demand side response – experience of last winter



Majority of DSR came from the power sector

Power station response - "fuel switching"

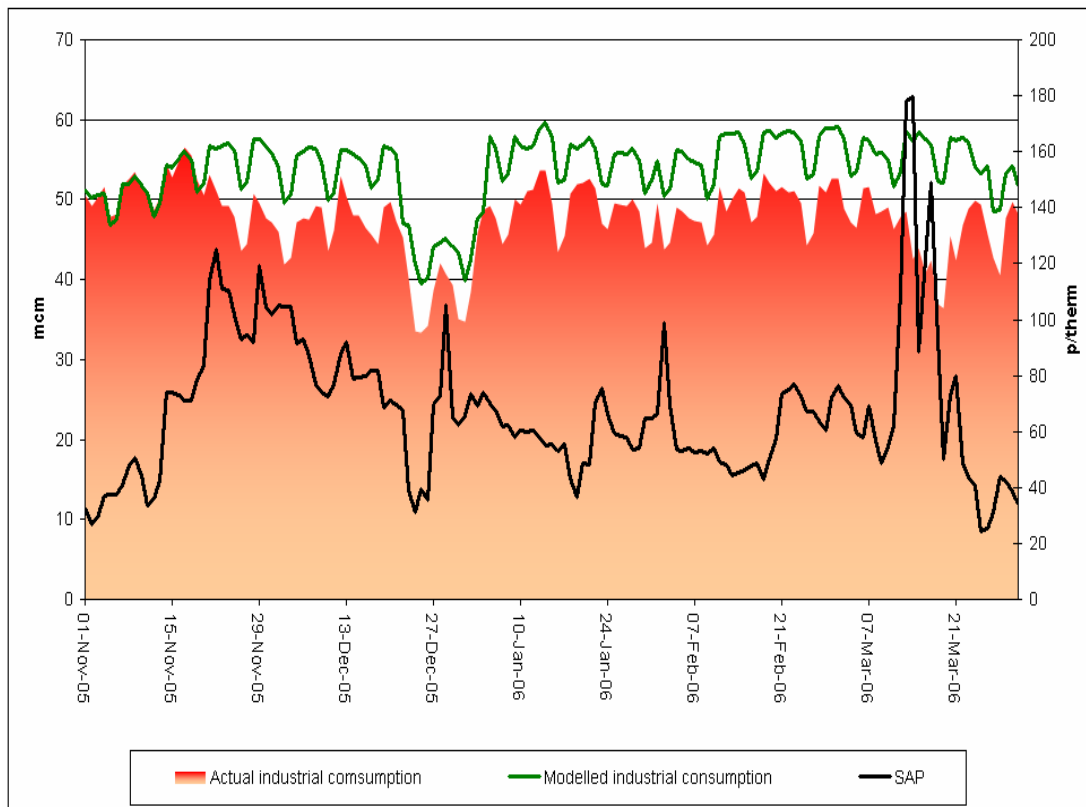


Generators turn down gas demand - use alternative fuels to manage costs

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

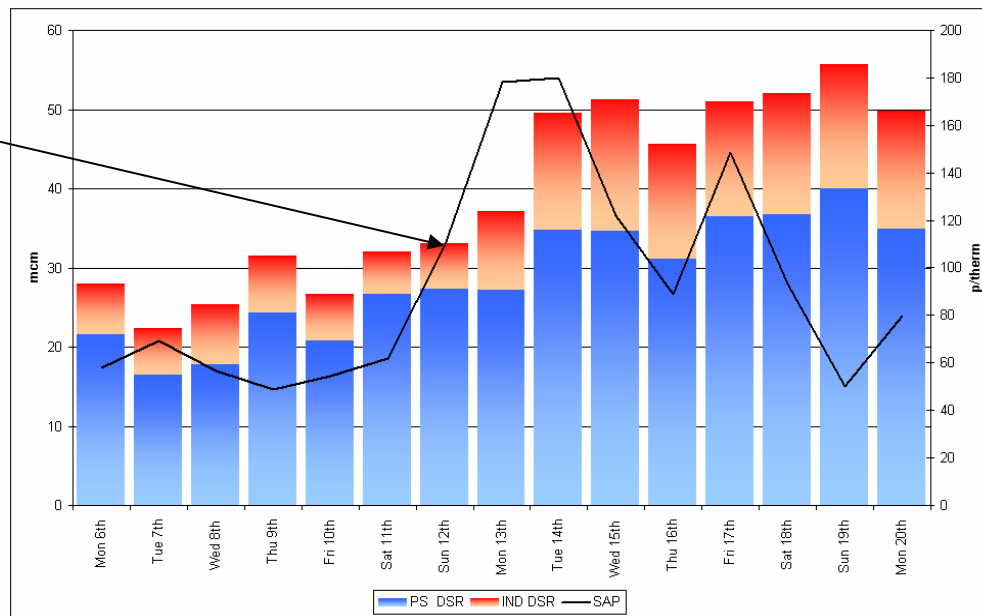
Part of normal market operation

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?
- Work ongoing with DSWG

A background image showing a close-up of electrical components, including a blue plastic outlet and a metal terminal block, with a soft blue glow.

Looking ahead to Winter 2006/07

Intro

Winter
2005/06

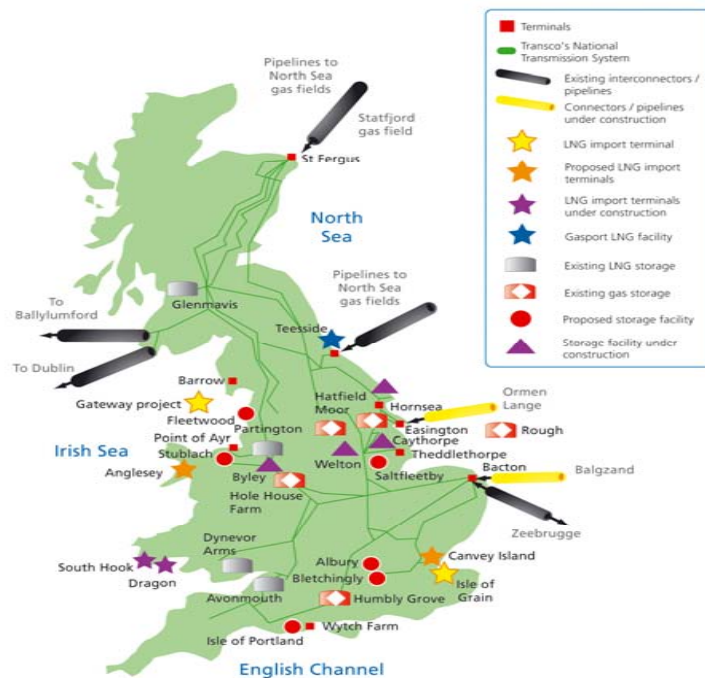
Winter
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work

Options for Energy Buyers – June 2006

New infrastructure

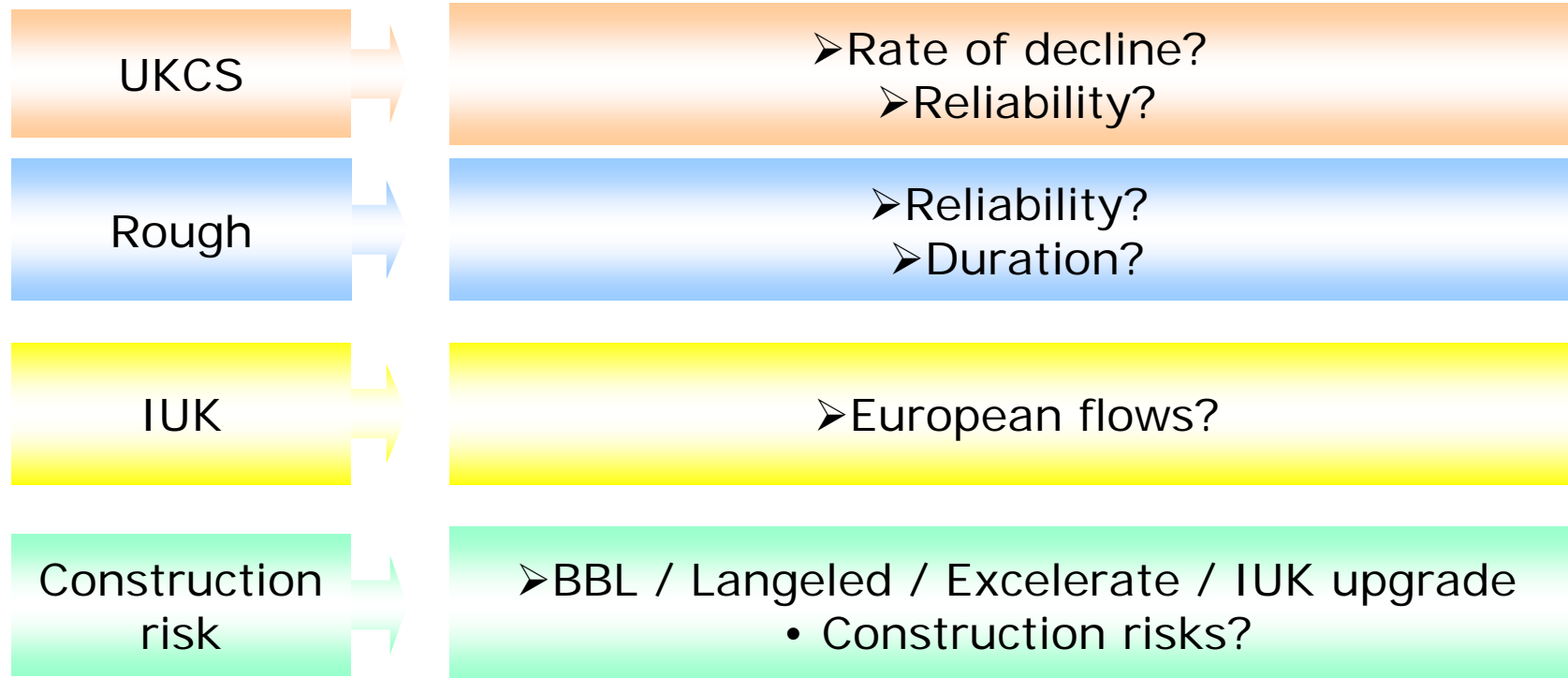


2006/07
 New links with Norway and the Netherlands plus extension of the link with Belgium

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

Winter outlook for 2006/07



New investment on the way

A blue-tinted background image showing a close-up of a power plug and a meter. The plug is on the left, and the meter is in the center. The text "Options for customers" is centered in a white rounded rectangle with an orange border.

Options for customers

Choices for GB customers

North
West
Europe

Little or no
customer choice
on energy
purchasing

GB

Range of
commercial
options
developed by
industry now
available



Commercial options

Customers can contract for different types of interruption

Commercial interruption

Fuel switching

Turn down

GBA based contracts

Contract terms reflect opportunity cost to customer

A blue-tinted background image showing a close-up of a power plug and a meter. The plug is on the left, and the meter is in the center. The text "What is Ofgem doing?" is centered in a white rounded rectangle with an orange border.

What is Ofgem doing?

Initiatives 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

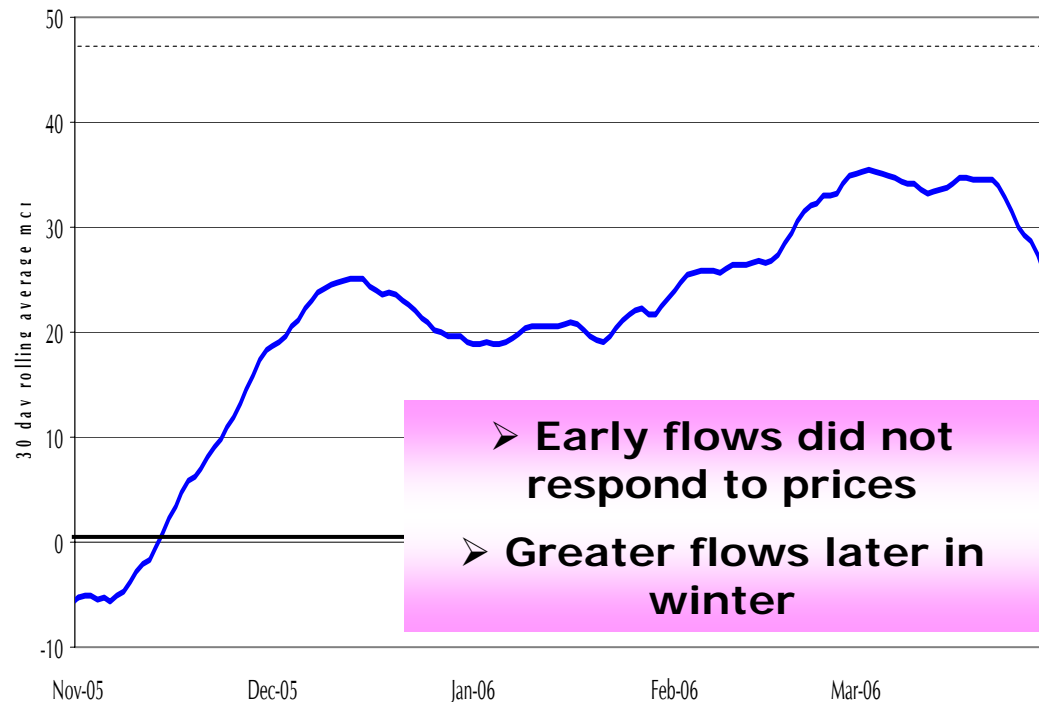
- Current arrangements for winter 06/07?

- 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

New information for market

- Sub terminal flows currently available on a D+2 basis
- Information available closer to real time
- Aggregated on North/South basis

Ofgem approved energywatch Modification 006

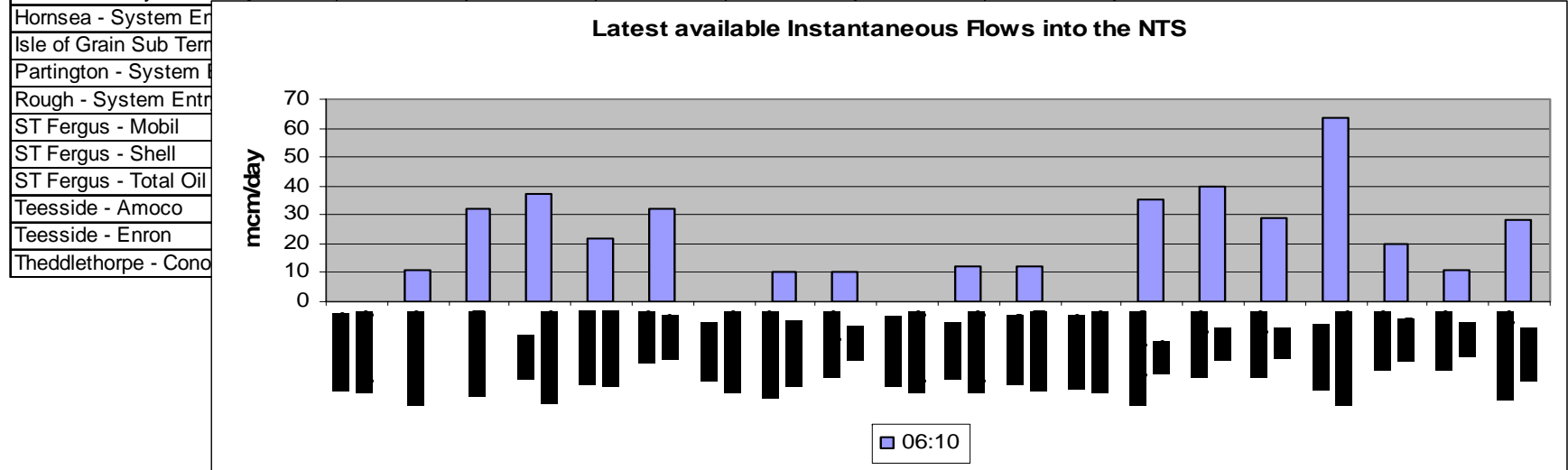
- Sub-terminal flows available to the whole market
- Available on a "close to real time" basis

**Modification will be implemented for this winter –
October start date**

006 – New Information this winter

System Entry Name	Instantaneous Flows (mcm/day)					
	06:00	06:02	06:04	06:06	06:08	06:10
Avonmouth - System Entry	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Bacton - Philips	9.98755	10.01123	10.11491	10.24528	10.42872	10.61217
Bacton - Shell	30.47342	30.60110	31.87790	32.00558	32.16002	32.31446
Bacton Interconnector	36.51360	36.59040	36.66720	36.79488	36.94932	37.05372
Bacton Seal Subterminal	21.60274	21.65794	21.71314	21.76834	21.82354	21.90850
Barrow - BGE&P	29.85459	31.05459	31.05459	31.05459	31.05459	32.03060
Dynevor - System Entry	0.00000	0.00000	0.00000	0.00000	0.00000	0.00456
Easington - BP Dimlington	10.25160	10.27560	10.29960	10.39560	10.41960	10.44360
Easington - Other	9.85470	10.00015	10.52680	10.20289	10.00578	9.99753
Glenmavis - System Entry	0.10563	0.10563	0.10563	0.11043	0.11043	0.12243

- New information flows
- Users to develop understanding



Initiatives ahead of winter – new incentives on NG?

Information to the market

- New incentives on NG are being considered
- Consultation published in May

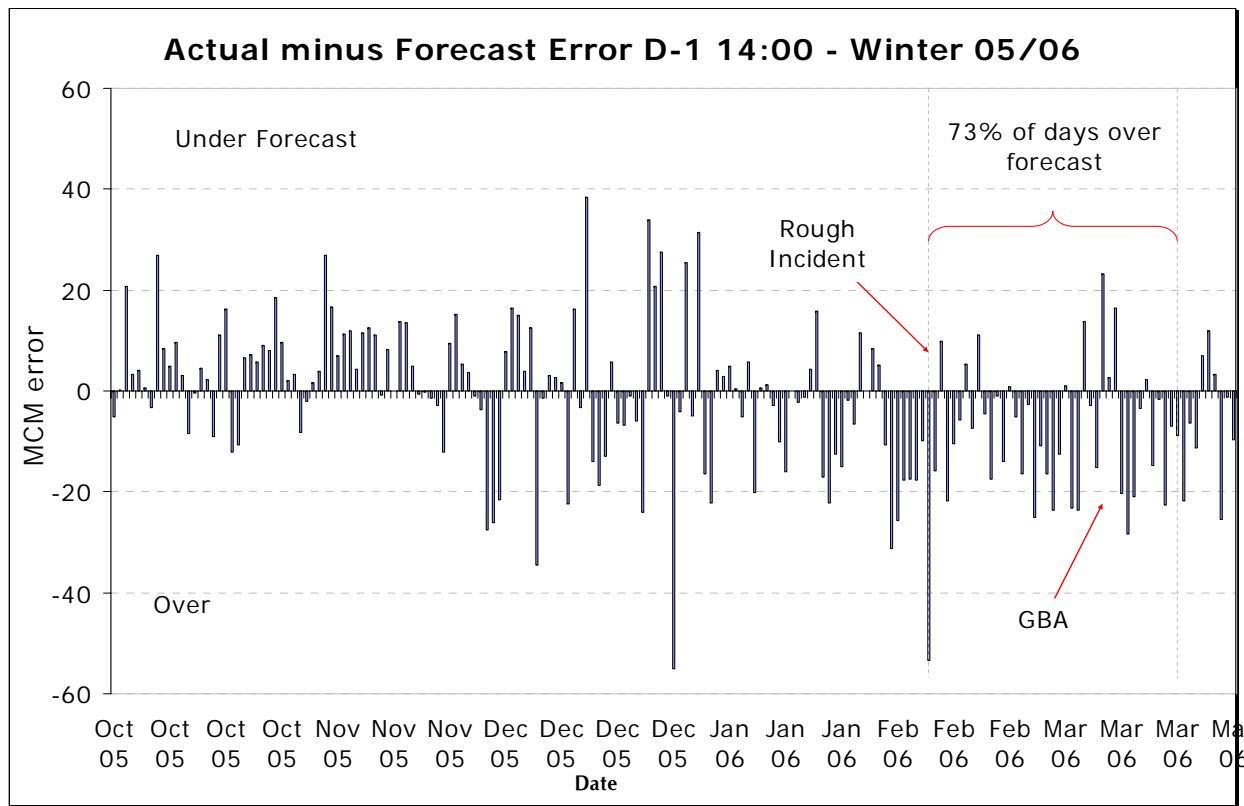
Website performance incentive

- Quality of data
provision

Demand forecasting incentive

- Improvements to
forecast accuracy

Demand Forecasting Incentive



Key issue:

- over forecasting of demand on tight days

- Benefits mostly to large customers through improved accuracy of demand forecast
- Publication of D-5 demand forecast

Website Performance

nationalgrid

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DEMAND

		Demand (mcm)	SND (mcm)	Variance (mcm)	
31/05/06	Actual Demand	228	215		
01/06/06	Forecast Demand	228	214	14	01/06/06 11:04
02/06/06	Forecast Demand	228	211		

FLOWS INTO NTS

Today's Forecast Flows into the NTS	230 mcm	01/06/06 11:00
Today's Physical Flows into the NTS	220 mcm	01/06/06 11:00

LINEPACK

Today's Opening Linepack	294.7 mcm	01/06/06 11:04
Predicted Closing Linepack(PCLP1)	296.3 mcm	01/06/06 11:04
Change in Linepack	1.6 mcm	01/06/06 11:04

Key issues:

- data availability
- timely updating of data

Improved access to market information

Better informed trading decisions by large customers

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

Intro

Winter
2005/06

Winter
2006/07

Customer
options

Ofgem's
work

Options for Energy Buyers – June 2006

Ofgem Seminar Series



Powering the energy debate

2006 events programme

20 July

Winter 06/07 Consultation Report, Panel Discussion

- to be held at Ferrybridge Power Station, West Yorkshire
Ofgem Seminar

For more information contact wholesalemarkets@ofgem.gov.uk

28 July

Options for Energy Buyers Seminar

- to be held in Manchester
Ofgem Seminar

For more information contact wholesalemarkets@ofgem.gov.uk

8 September

Options for Energy Buyers Seminar

- to be held in Glasgow
Ofgem Seminar

For more information contact wholesalemarkets@ofgem.gov.uk

27 September

Winter 06/07 Consultation Report, Panel Discussion

- to be held in Birmingham
Ofgem Seminar

For more information contact wholesalemarkets@ofgem.gov.uk

5 October TBA

Winter 06/07 Consultation Report, Panel Discussion

- to be held in London
Ofgem Seminar

For more information contact wholesalemarkets@ofgem.gov.uk

20 December

Winter to date Seminar

- to be held in London
Ofgem Seminar

For more information contact wholesalemarkets@ofgem.gov.uk

Contact: wholesale.markets@ofgem.gov.uk

Intro

Winter 2005/06

Winter 2006/07

Customer options

Ofgem's work

Options for Energy Buyers – June 2006

Summary

➤ Consider winter outlook data

➤ Discuss with suppliers

➤ Variety of options

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