



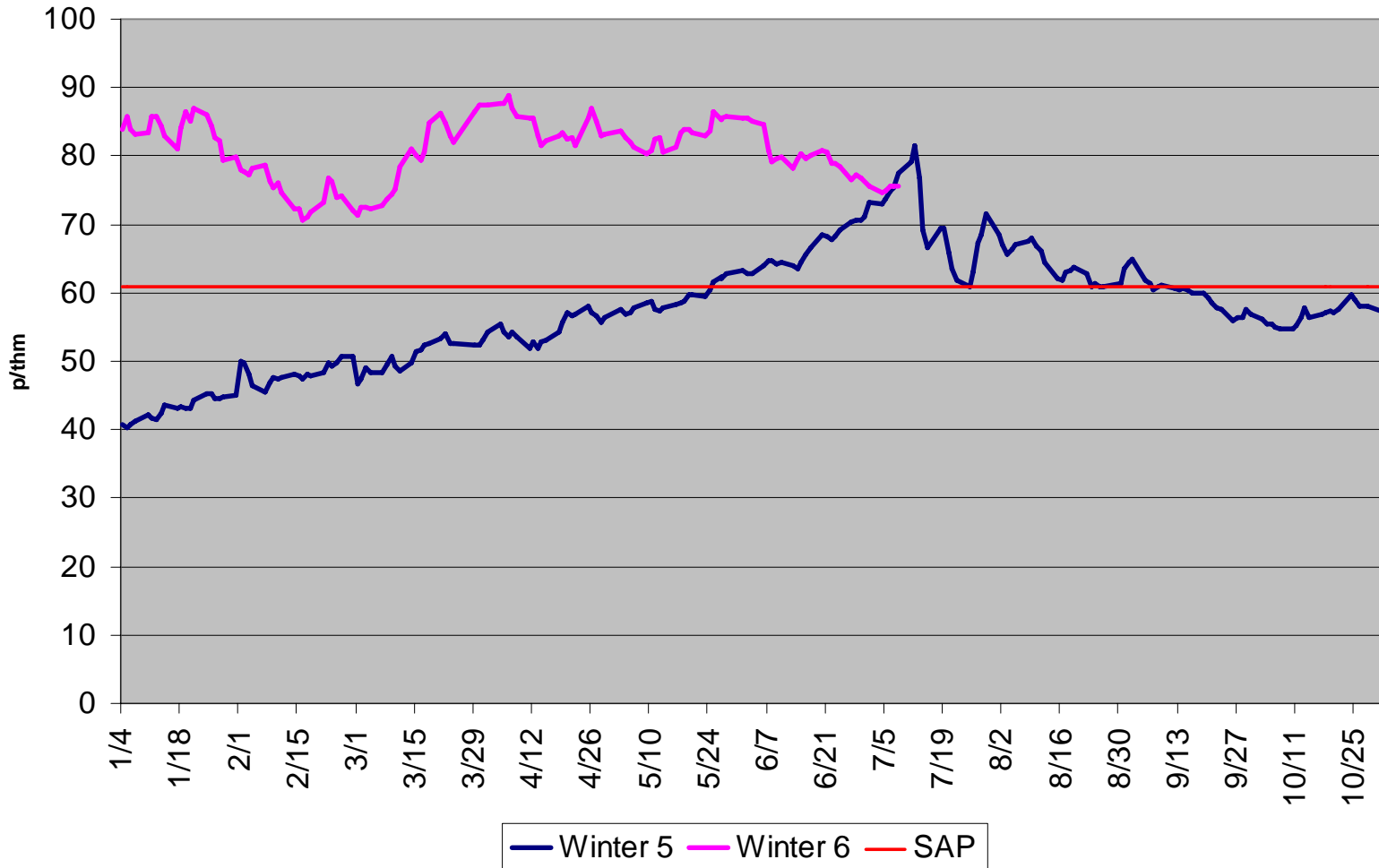
***Winter Outlook Consultation 06/07***  
***Ed Blackmore***  
***Sempra Energy***

***[www.sempra.com](http://www.sempra.com)***



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# Trend Winter 6 Gas



## *Why is Winter6 trading higher than Winter5?*

- Market undervalued Winter 5 volatility
- Daily volatility higher than expected
- Risk premium function of volatility
- Average daily volatility Nov/March = 250%!!
- Options market - market pricing 30p movement in January contract



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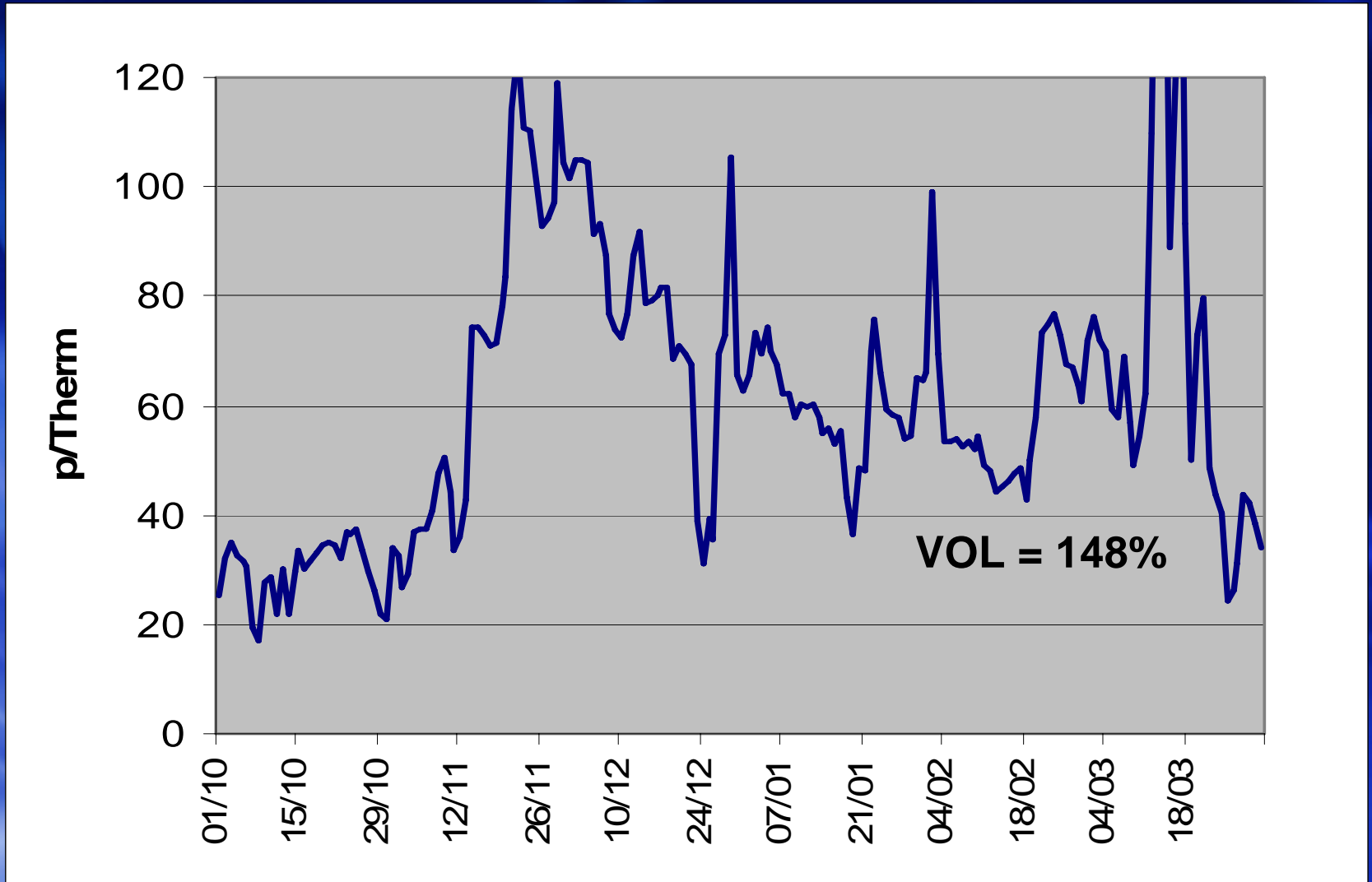
## *Risk Premium*

- Increased Volatility = increased risk premia
- New assets e.g. storage, pipelines reduces volatility
- BUT market sceptical of new infrastructure given gas flows in Interconnector last year



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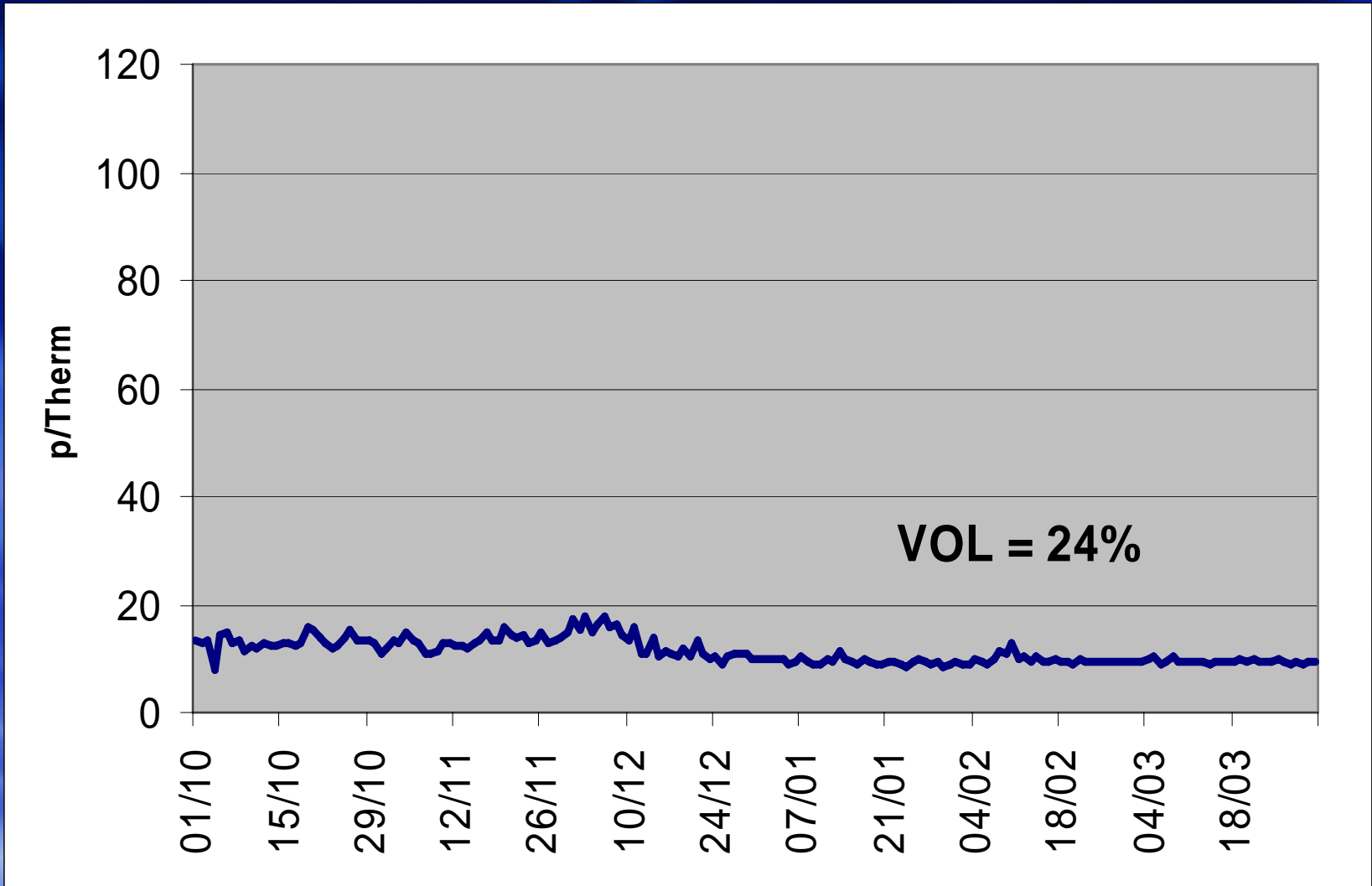
# Winter 5 SAP Prices





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# Winter 98 SAP Prices





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## *Risk Factors:*

- Weather
- Rough reliability
- Gas field decline
- Interconnector gas flows 2005
- Lack of storage/swing
- New gas pipelines
- Gas Quality
- Transco compressor problems Teesside/St Fergus
- Ukraine
- Demand side response
- European Storage