

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.

# Options for Energy Buyers Looking ahead to Winter 2006/07

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# Welcome

## Why are we here?

- Challenging winter last year
- National Grid's outlook is for another tight winter ahead
- Range of speakers here to share views and experiences
  - Customers & Suppliers

**Opportunity to discuss and consider  
options ahead of winter**

# Winter 2005/06 – a challenging time for customers

ENERGY Users demand that National Grid be given control of spare capacity on the pipeline linking the

## Where's the gas?

### Scandal of the half-empty Interconnector

By Tim Webb

Leading manufacturers that energy prices are forced up

In the rest of Europe – the pipeline has only been operating at half capacity this winter.

The Energy minister, Malcolm Wicks, has called for an inves-

Jeremy Nicholson, the director of the Energy Intensive Users Group, said that National Grid, which balances electricity supply and demand, should

**Gas price hikes set to lessen**

**GAS CRISIS COULD HIT MILLION JOBS**

**Record**  
**Winter bites**  
HARD-PRESSED householders are going to be squeezed for even more cash by utility companies.  
While a winter weather forecast says cold air will be

**Gas giants warned over supply fiasco**

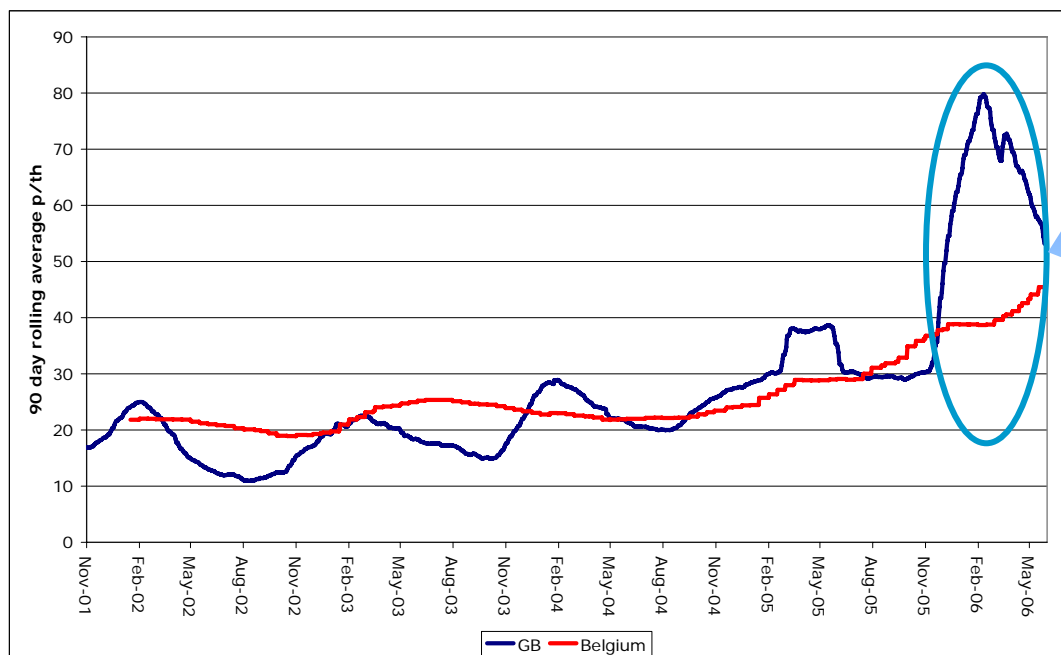
Gas crisis could leave economy 'at risk'

Winter  
2005/06

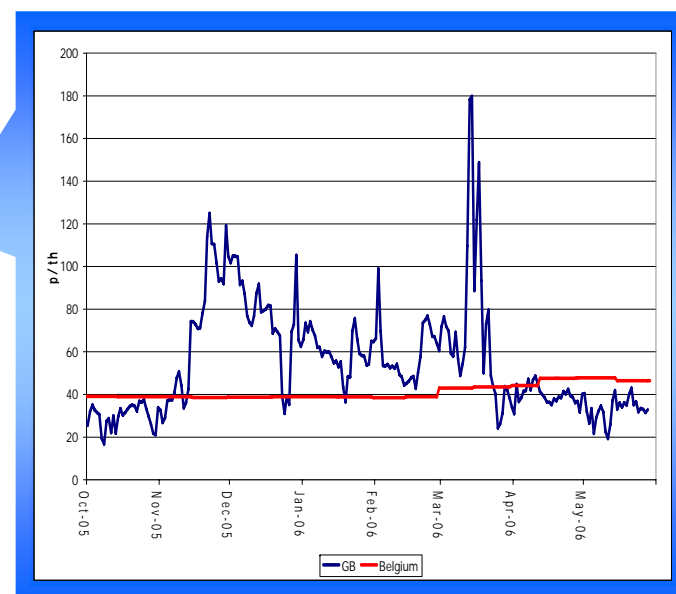
Winter  
2006/07

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# Price trends



Long term trends – rolling average prices



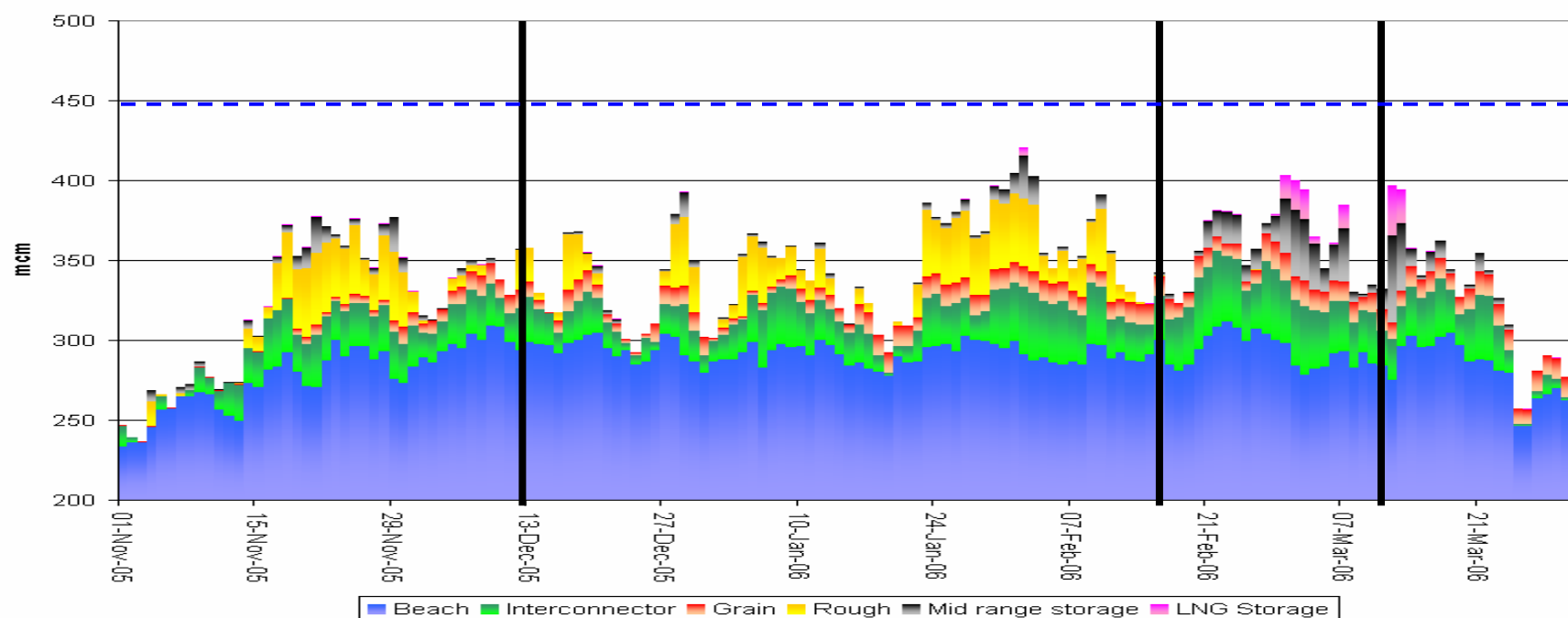
Prices over winter 2005/06

Winter  
2005/06

Winter  
2006/07

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# A winter of four parts



Issues with  
interconnector and  
Grain

Improving  
performance

Rough  
unplanned  
outage

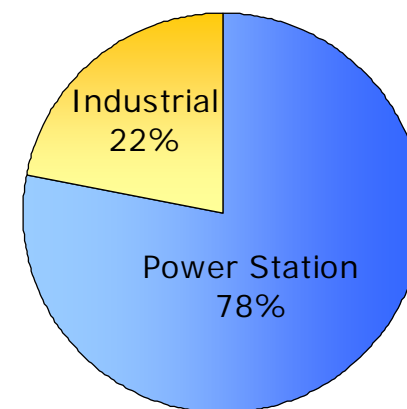
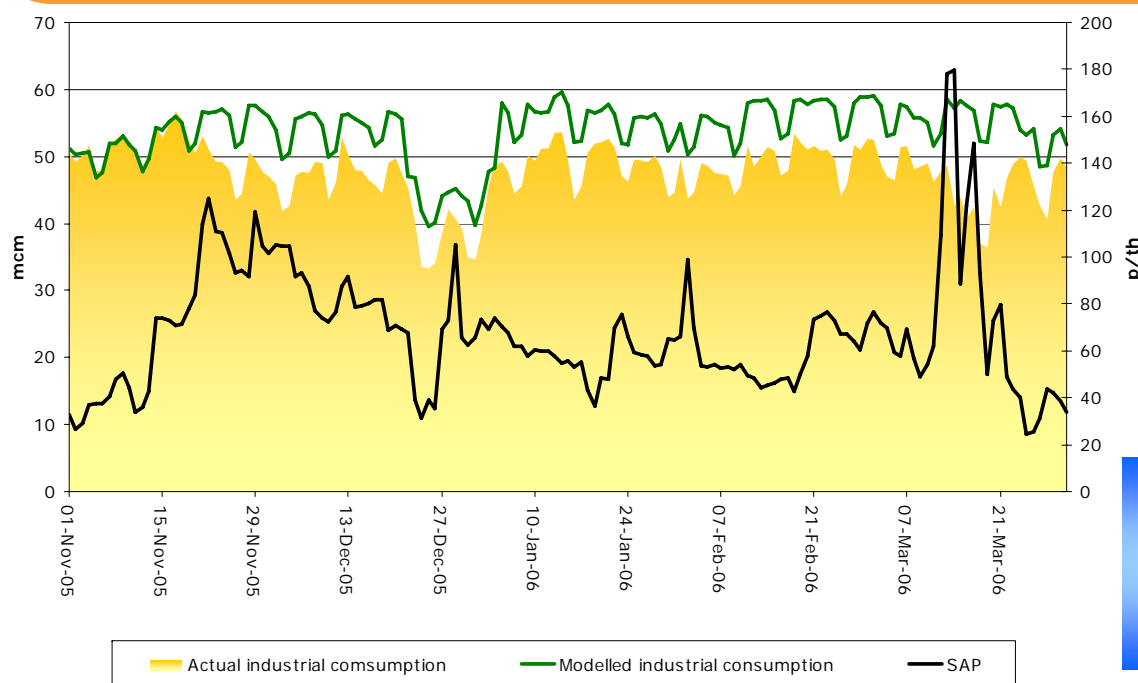
Rough & other  
supply issues

Winter  
2005/06

Winter  
2006/07

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# Demand side response last winter



Industrial customers reduced consumption by up to 16.6mcm

- Most customers switched fuels
- Provision of flexibility to gas system – effective form of gas storage

Winter  
2005/06

Winter  
2006/07

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# Looking ahead to Winter 2006/07

Winter  
2005/06

Winter  
2006/07

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## Outlook for summer

### Gas

- Continued decline of UKCS
- May need imports or higher priced supply sources
  - Rough injection underway
- Potential for further constraints on NG system?

### Electricity

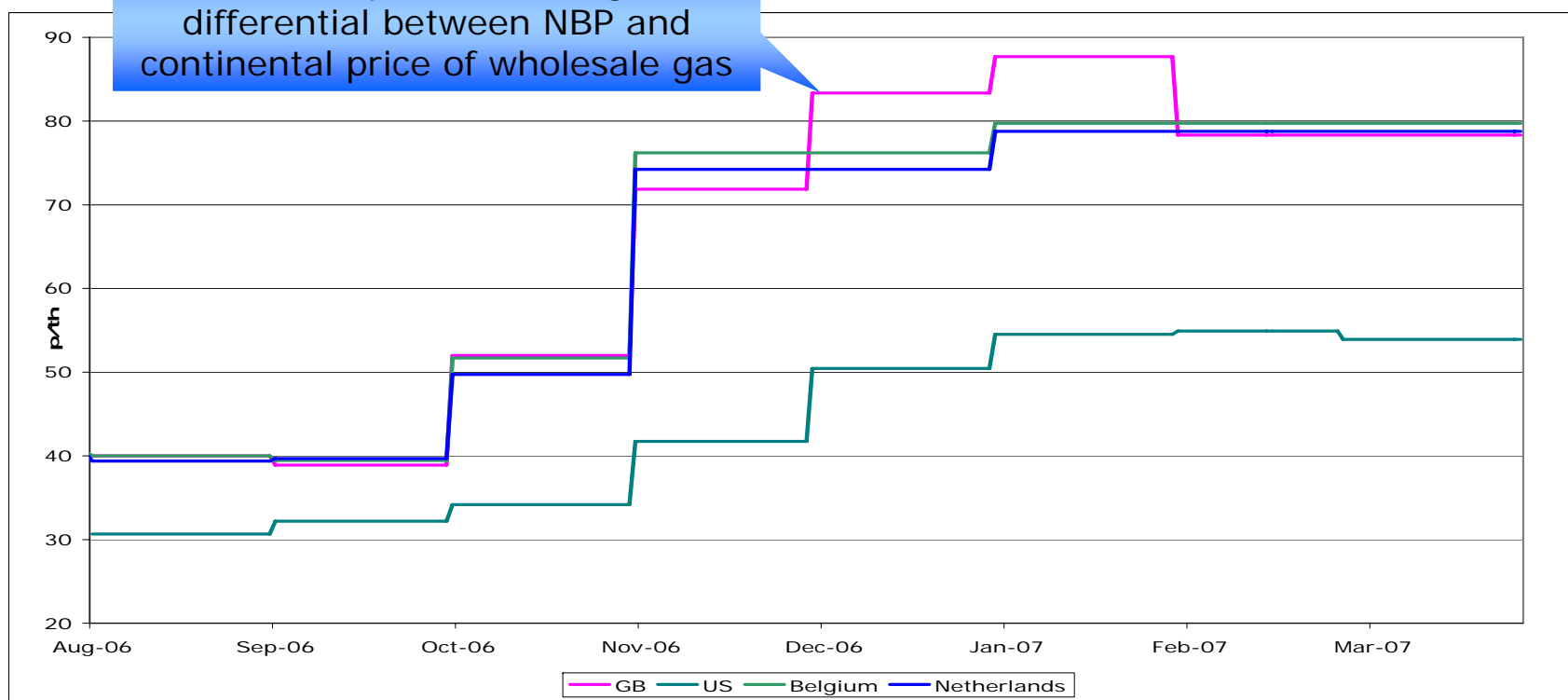
- Summer maintenance and high temperatures
- Could lead to tight supply/demand conditions
- Demand control imminent notice issued on 18-Jul

**Potential remains for summer supplies to be tight**



# Wholesale gas price expectations

Forward prices showing a differential between NBP and continental price of wholesale gas



## Gas forward prices

Winter  
2005/06

Winter  
2006/07

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# Winter 2006/07

## – update on key gas issues

UKCS

- HSE inquiry: South Morecombe only platform affected
- UKCS forecasts in line with TBE

Rough

- Injection underway: on track to be full for winter
- Questions remain on possible delays to injection

IUK

- European flows
- Winter outlook responses: will capacity provide gas?

Imports

- BBL / Langeled / Excelerate / IUK upgrade
- Potential construction risks

Demand

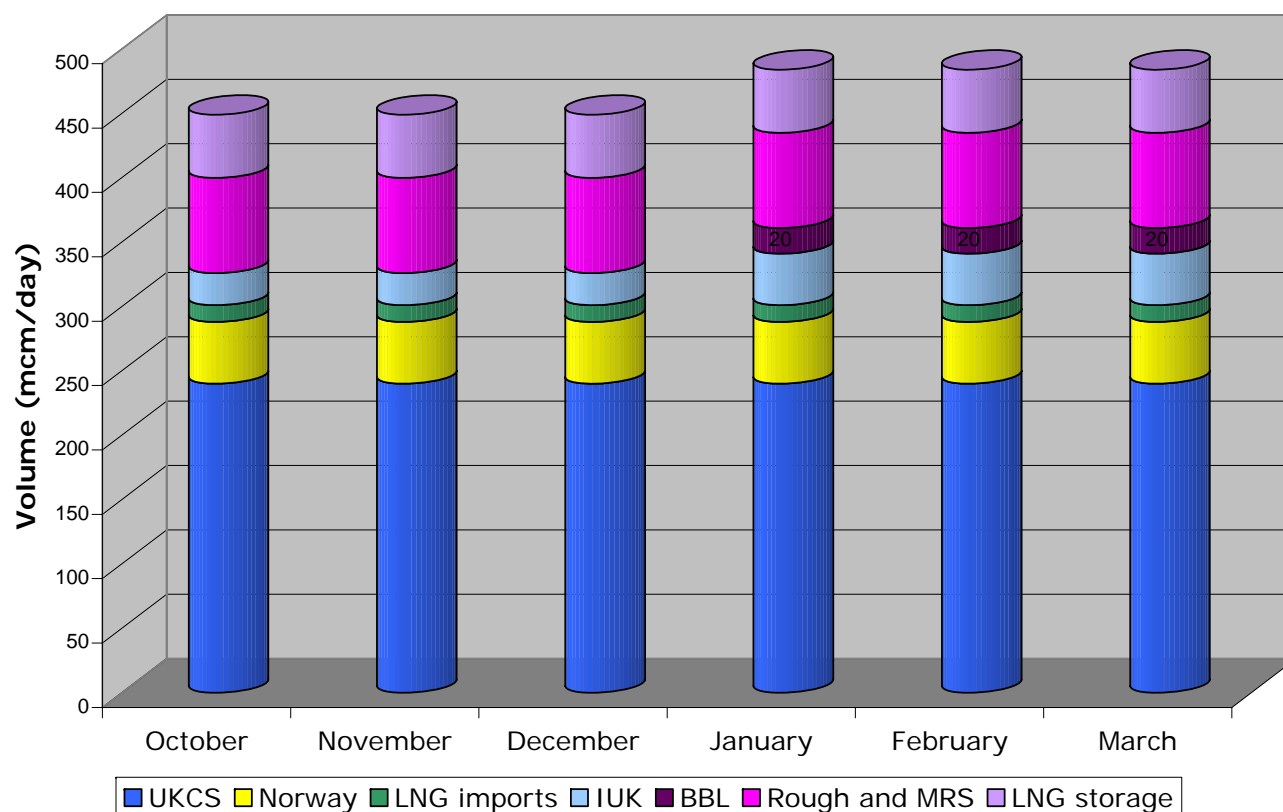
- Customers appear responsive to price
- Gas electricity interactions still likely to be key

Winter  
2005/06

Winter  
2006/07

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# Outlook for Winter 2006/07 – gas supplies



Second phase of  
NG consultation  
published  
July 2006

Main change:  
➤ 'split season'  
assumptions for  
BBL/IUK  
➤ Change in NG's  
outlook reflects  
"EU storage effect"

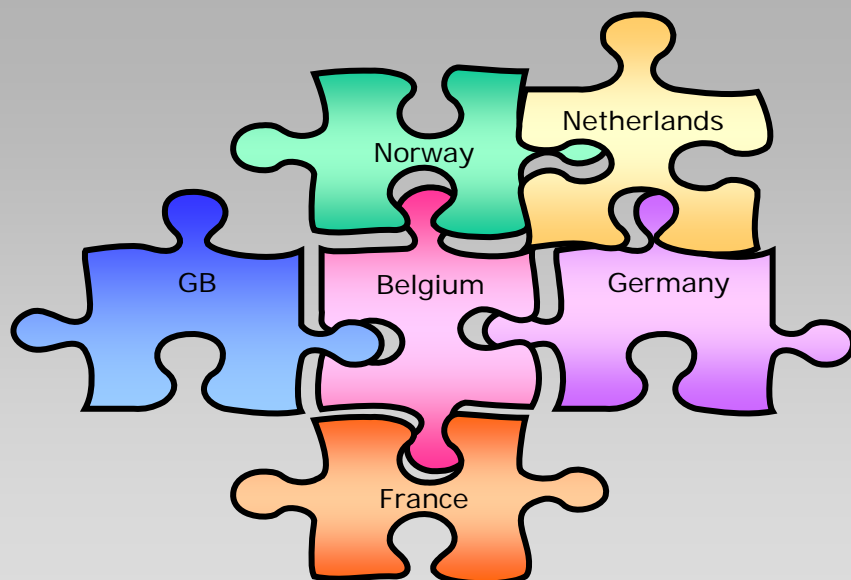
Winter  
2005/06

Winter  
2006/07

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# European picture

Transparency is an issue...



## Experience of Winter 2005/06

Difficult to understand flows from Europe

Ofgem has met with:

- EU Commission
- Key companies

## Information key to build better understanding of Europe picture

- Open dialogue to continue
- Enable market to develop own views on likely scenarios

Winter  
2005/06

Winter  
2006/07

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# European picture – Winter 2006/07

A number of positive developments...

Investment to  
remove constraints  
on transportation

- Upgrades to major East-West transportation routes in Germany
- Increase to deliveries of gas at the Bacton Interconnector?

New supplies of  
LNG

- New trains: Egypt, Trinidad & Tobago
- New import capacity – France & Spain
  - More gas available to GB?

Improvements in  
transparency

- French storage information updated more regularly

Winter  
2005/06

Winter  
2006/07

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# European picture – Winter 2006/07

A number of significant issues remain...

Gas Quality issues

➤ Constrain flows to GB?

Impact of domestic storage policies

➤ Public Service Obligations  
➤ Restrict supplies early in the winter?

Lack of information transparency

➤ Key information not available

- Gas flows
- Available transportation capacity
- Gas stock levels

# 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

Winter  
2005/06

Winter  
2006/07

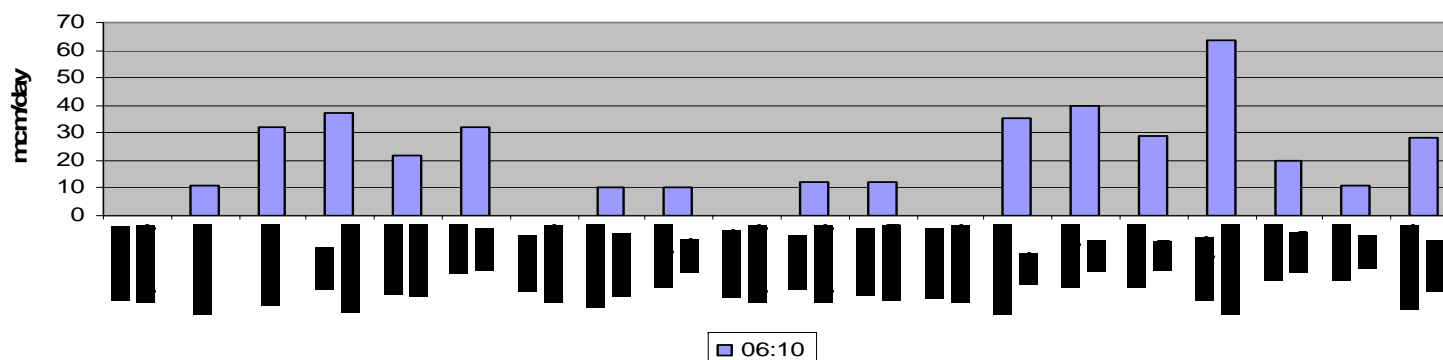
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# 006 – New Information this winter

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
Hornsea - System Entry	11.85620	11.95462	11.82880	11.86542	11.48439	11.94654
Isle of Grain Sub Terminal	12.50343	12.50703	12.50943	12.51183	12.51195	12.51207
Partington - System Entry	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Rough - System Entry	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
ST Fergus - Mobil	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
ST Fergus - Shell	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
ST Fergus - Total Oil	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Teesside - Amoco	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Teesside - Enron	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Theddlethorpe - Conoco	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

- New information flows
- Users to develop understanding
- NG workshop - September

Latest available Instantaneous Flows into the NTS



Winter  
2005/06

Winter  
2006/07

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## New incentives on NG?

Customer concerns on quality of market information

New incentives on NG are being considered

- Final proposals – published 14 July
- Responses due 25 August

Gas demand forecasting  
accuracy incentive

- System gas demand
- Day ahead forecast

Website performance  
incentive

- Availability/timely  
delivery of key gas data

**Incentives Proposed for implementation ahead of winter**

Winter  
2005/06

Winter  
2006/07

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# Commercial options

A range of commercial options developed by industry

Customers can contract for different types of interruption

Commercial  
Interruption

Fuel  
Switching

Turn  
Down

GBA Based  
Contracts

**Contract terms reflect opportunity cost to  
customer**

# Ofgem Seminar Series



**Powering the  
energy debate**



## 2006 events programme

- |                     |   |
|---------------------|---|
| <b>28 July</b>      | <b>Options for Energy Buyers Seminar</b> - to be held in Manchester<br>Ofgem Seminar<br>For more information contact <a href="mailto:wholesalemarkets@ofgem.gov.uk">wholesalemarkets@ofgem.gov.uk</a>                     |
| <b>8 September</b>  | <b>Options for Energy Buyers Seminar</b> - to be held in Glasgow<br>Ofgem Seminar<br>For more information contact <a href="mailto:wholesalemarkets@ofgem.gov.uk">wholesalemarkets@ofgem.gov.uk</a>                        |
| <b>27 September</b> | <b>Winter 06/07 Consultation Report, Panel Discussion</b><br>- to be held in Birmingham<br>Ofgem Seminar<br>For more information contact <a href="mailto:wholesalemarkets@ofgem.gov.uk">wholesalemarkets@ofgem.gov.uk</a> |
| <b>20 December</b>  | <b>Winter to date seminar</b> - to be held in London<br>Ofgem Seminar<br>For more information contact <a href="mailto:wholesalemarkets@ofgem.gov.uk">wholesalemarkets@ofgem.gov.uk</a>                                    |

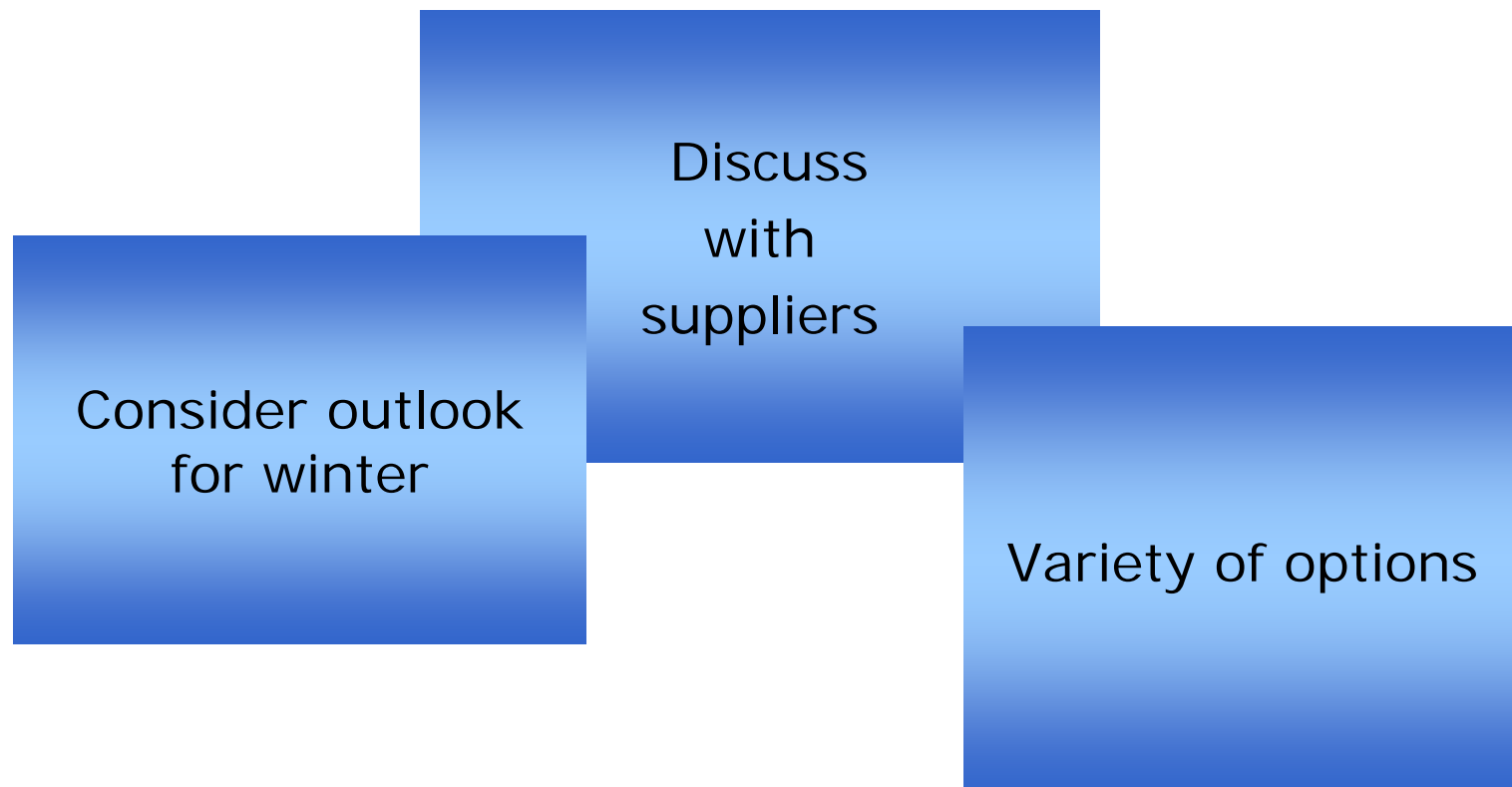
Contact: [wholesale.markets@ofgem.gov.uk](mailto:wholesale.markets@ofgem.gov.uk)

Winter  
2005/06

Winter  
2006/07

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# Summary



A large ofgem logo, with the word "ofgem" in white lowercase letters inside an orange rounded rectangle. The background of the slide features a blue-tinted image of electrical components, including a three-pin plug and a circuit board, with the ofgem logo faintly visible in the background.

*ofgem*

Promoting choice and value for all  
gas and electricity customers