

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

- Final Ofgem customer seminar before Winter 2006/07

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

Gas price hikes set to lessen

Where's the gas?

Scandal of the half-empty Interconnector

By Tim Webb
Leading manufacturers that energy prices 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 invest-

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

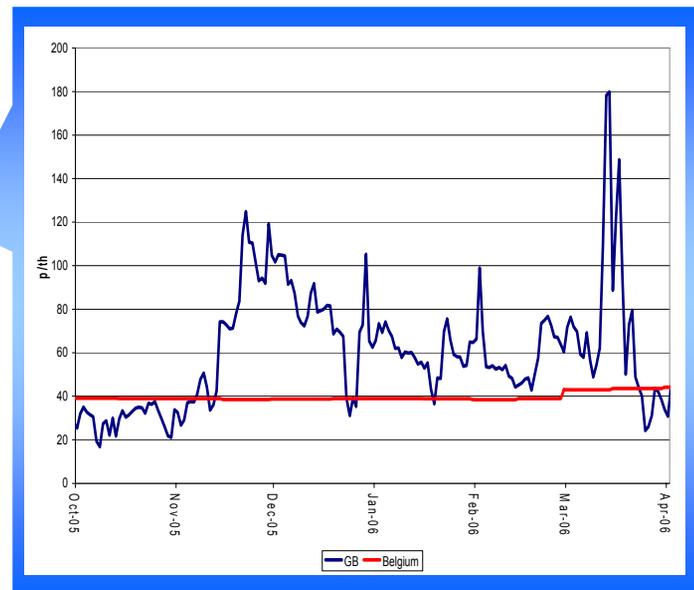
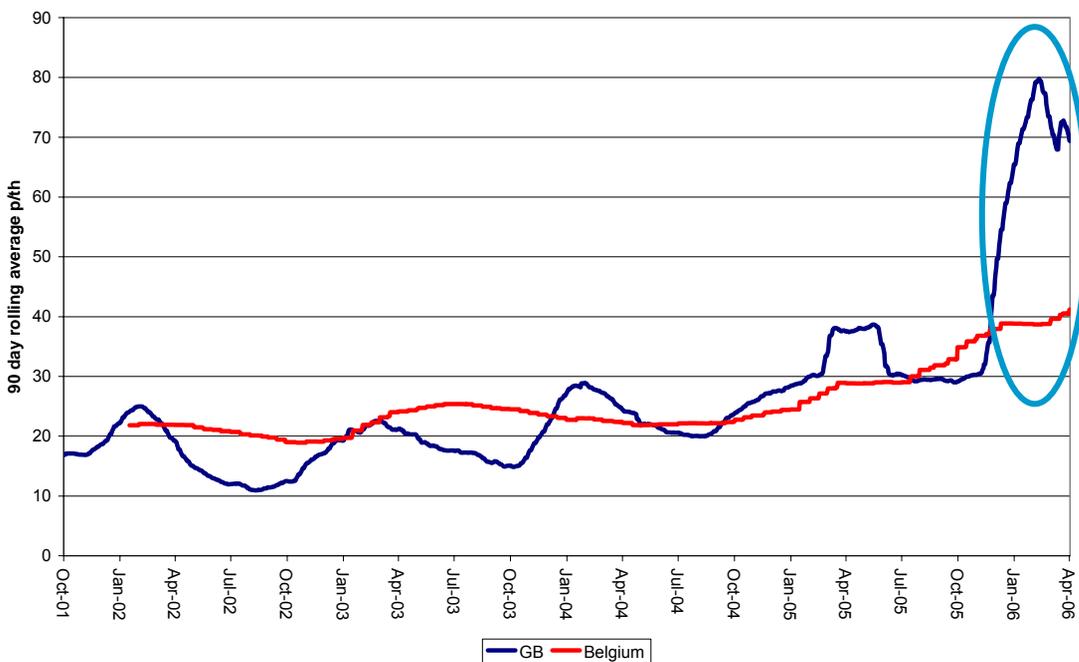
GAS CRISIS COULD HIT MILLION JOBS

Gas crisis could leave economy 'at risk'

Gas giants warned over supply fiasco

WINTER
Winter bites
HARD-PRESSED householders are going to be squeezed for even more cash by utility companies.

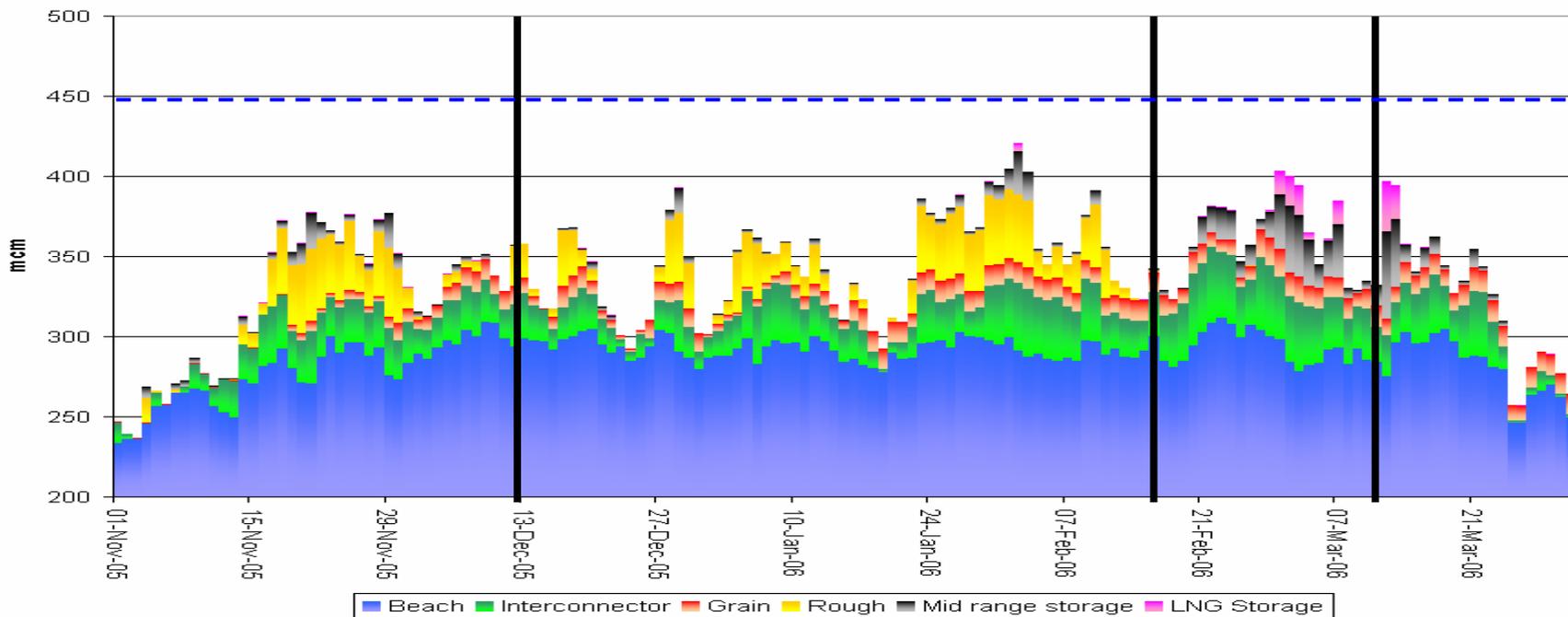
Price trends – Winter 2005/06



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

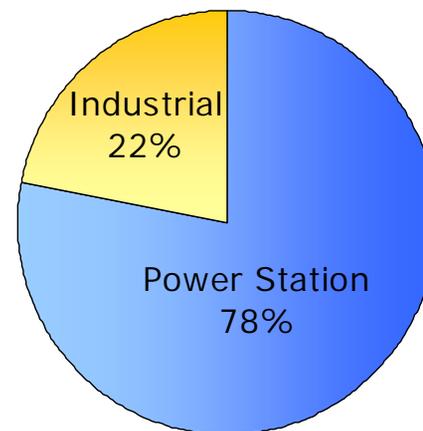
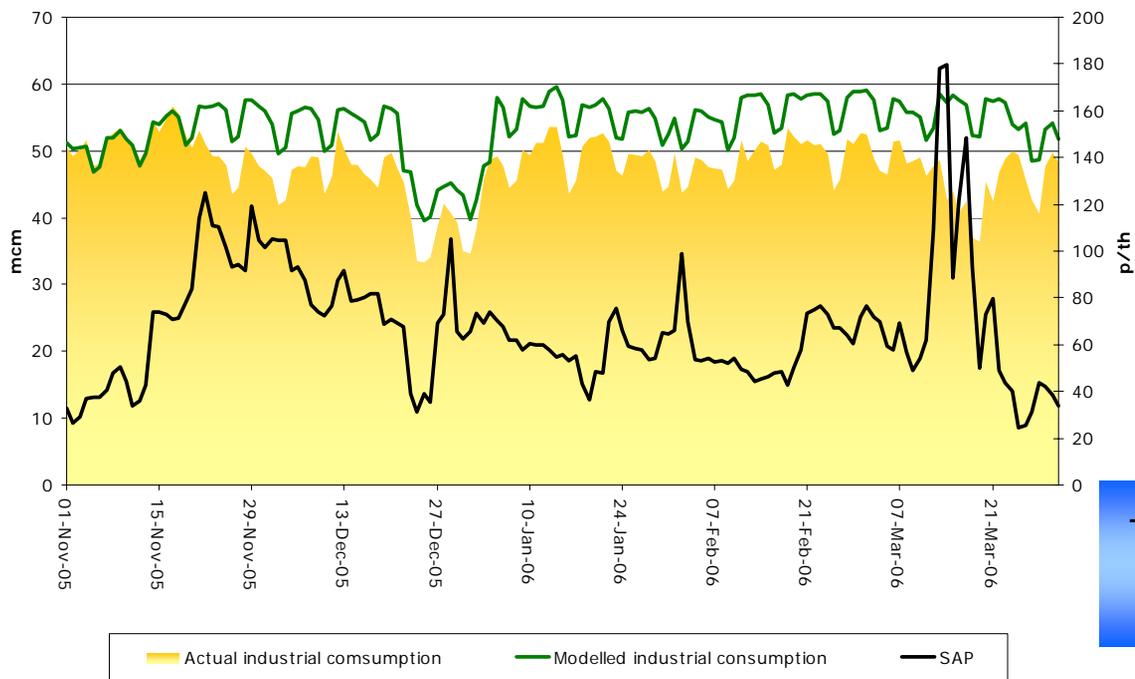
Rough & other supply issues

Winter 2005/06

Summer 2006

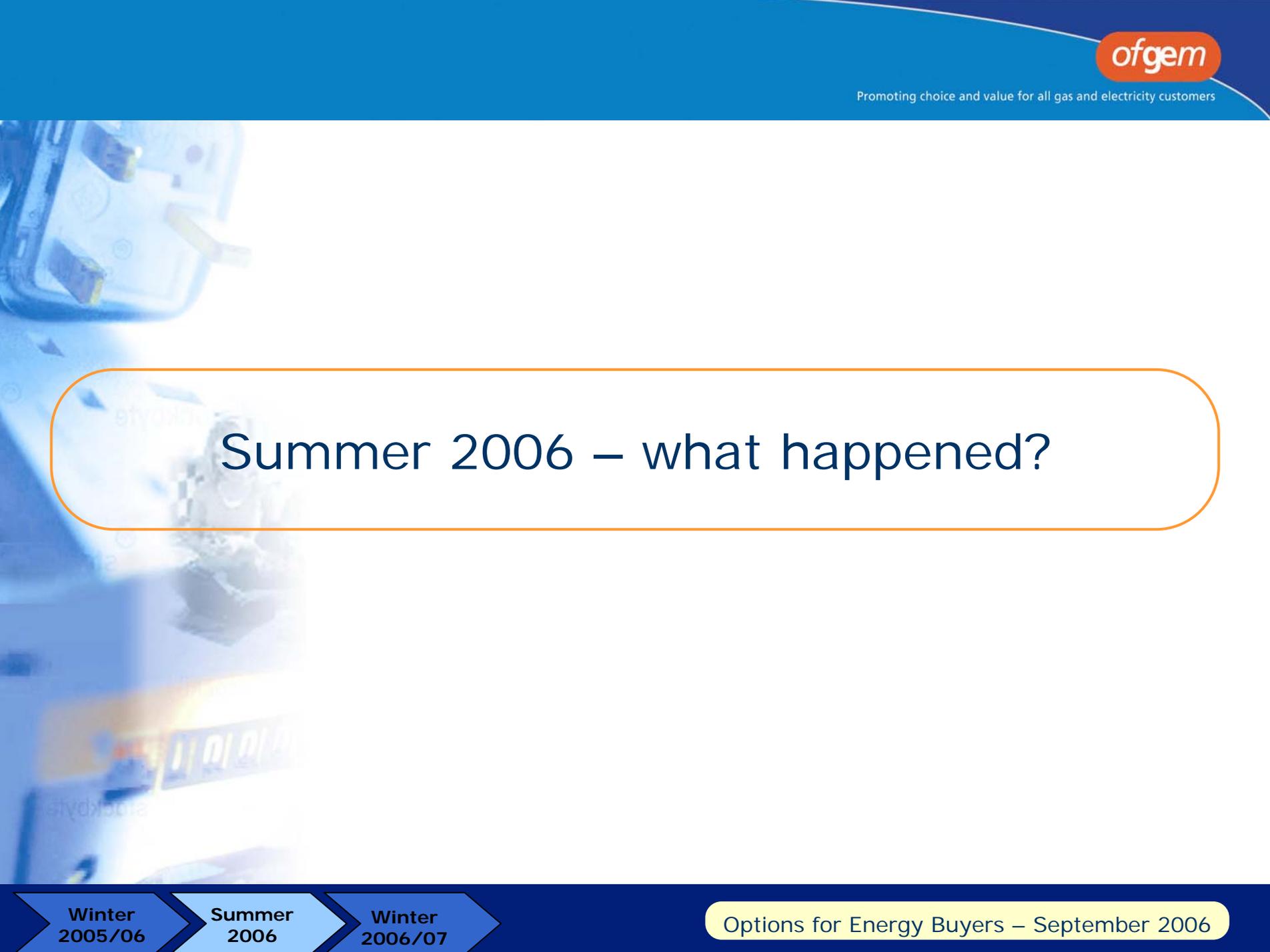
Winter 2006/07

Demand side response last winter



There were limited reports of demand destruction

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

A blue-tinted background image showing various electrical components, including a power outlet, a plug, and a circuit breaker, with a bright light flare in the center.

Summer 2006 – what happened?

Winter
2005/06

Summer
2006

Winter
2006/07

Options for Energy Buyers – September 2006

Summer 2006

Gas

Continued decline of UK Continental shelf

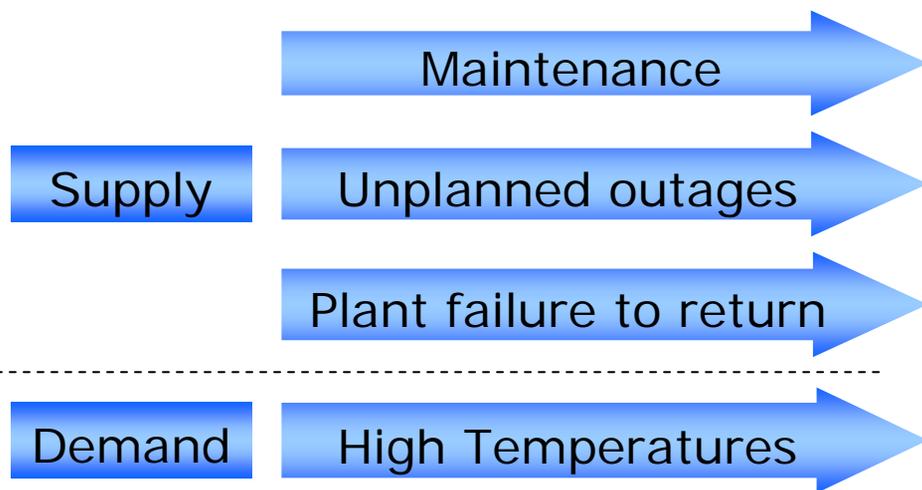
- UKCS maintenance → reduced supplies
- Maintenance on NTS → constraints

Electricity

Summer maintenance and high temperatures led to tight supply/demand conditions
18 July: Demand control imminent notice

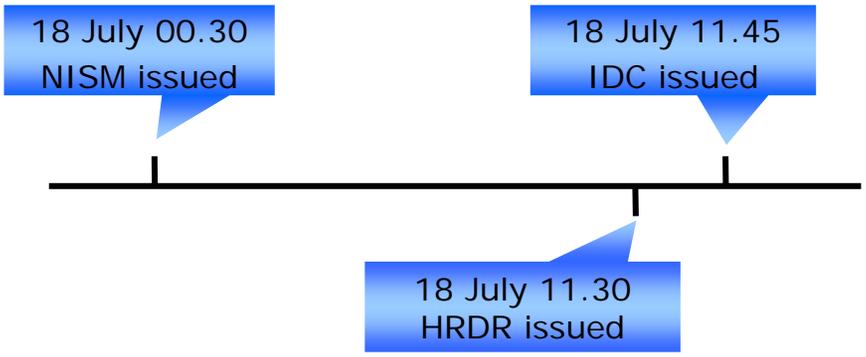
Record summer prices observed

System warnings – 18 July



- Scottish transfer capability maximised
- Standing reserve committed
- All feasible BM offers accepted

Assistance from generators vital to maintain availability levels



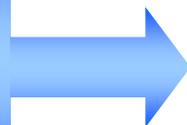
Is more information regarding plant maintenance required to avoid future summer system warnings?

Notice of gas offshore summer maintenance

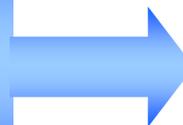
Supply worries underpin prompt value,
Winter '06 weak on sentiment

Limited information available on offshore maintenance

Uncertainty
regarding
maintenance

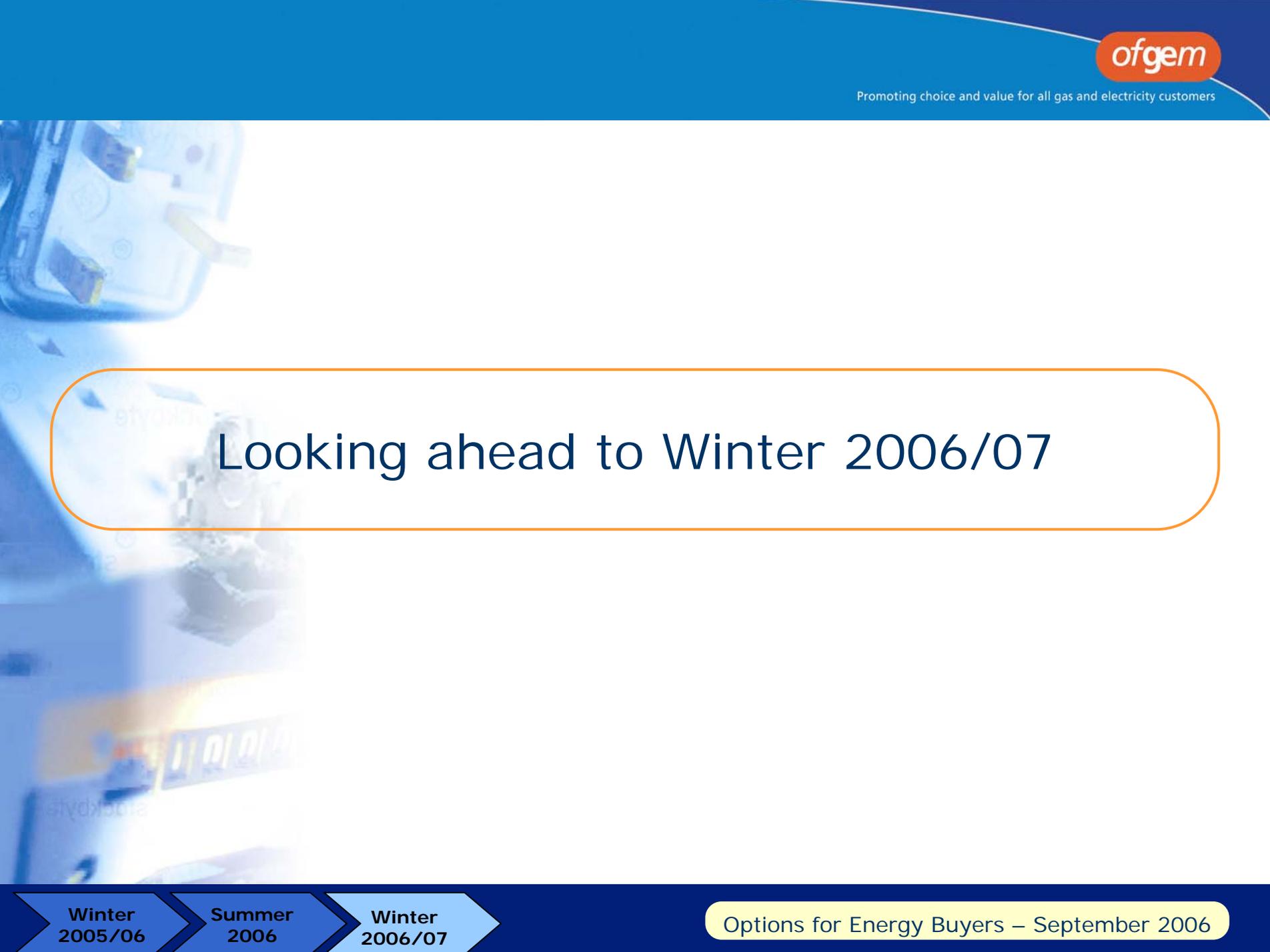


Market
speculation
and rumour



Price
volatility

New information from modification 006 will help...
BUT more information on offshore maintenance is needed

A blue-tinted background image showing various electrical components, including a power outlet, a plug, and a circuit breaker, with a soft glow effect.

Looking ahead to Winter 2006/07

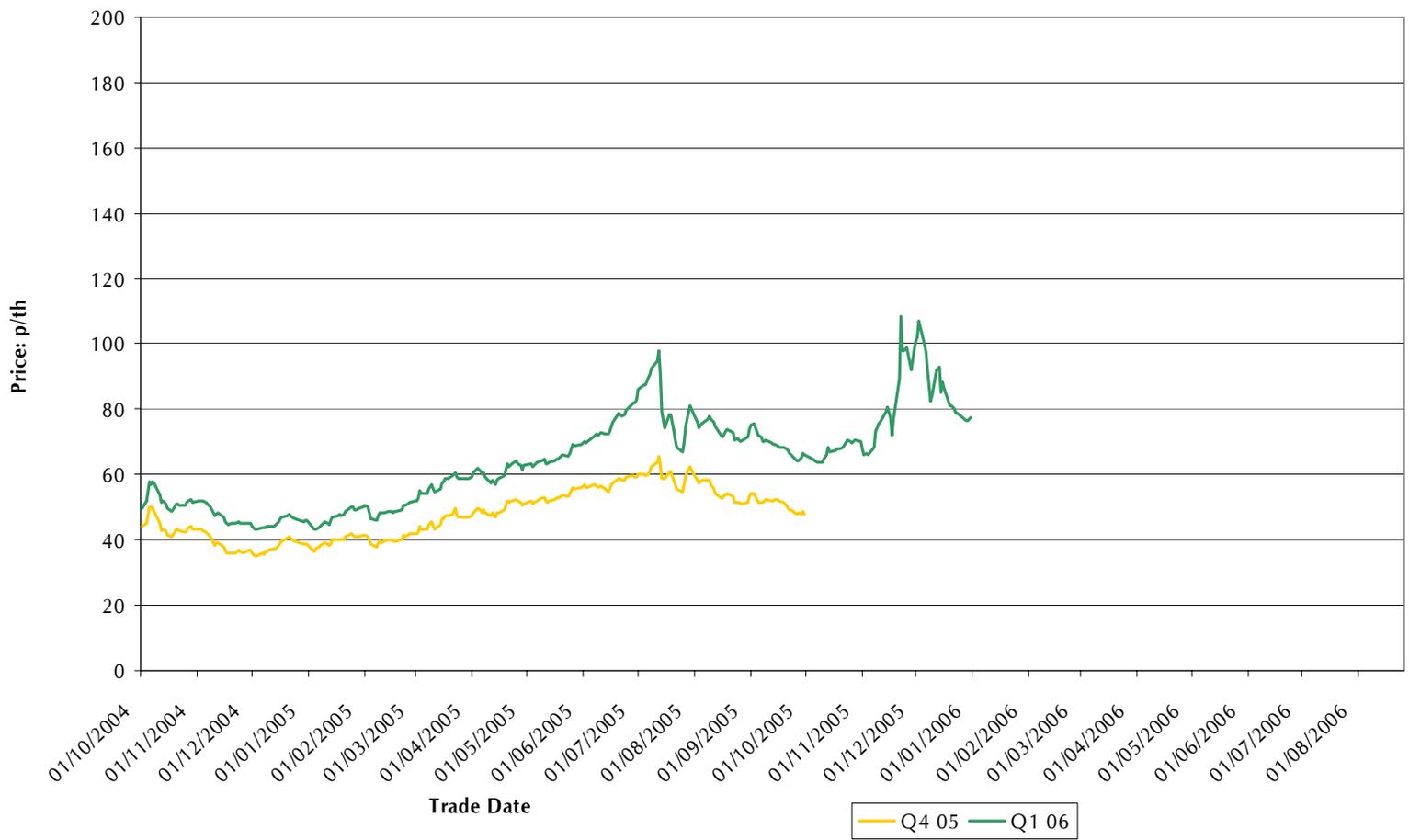
Winter
2005/06

Summer
2006

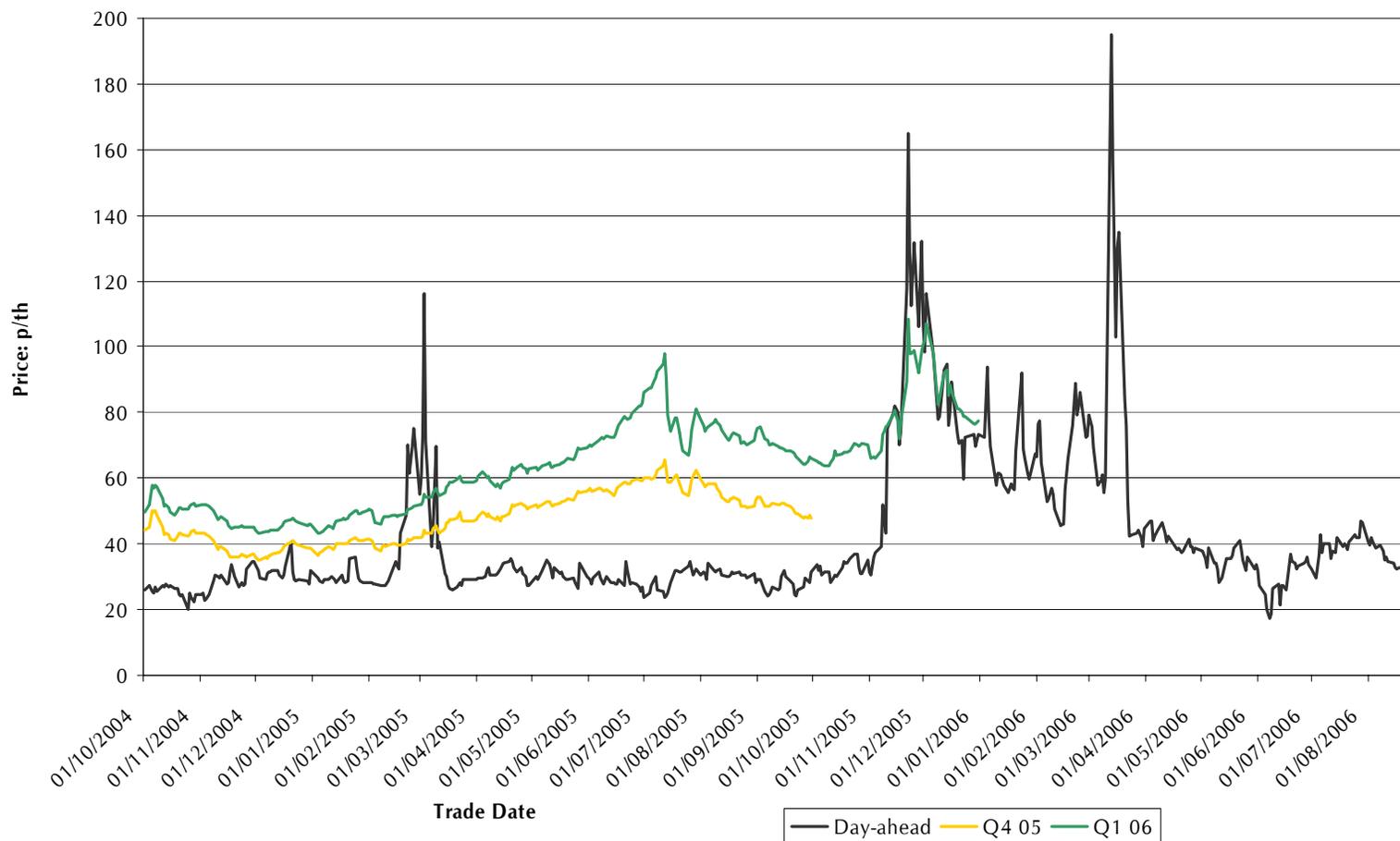
Winter
2006/07

Options for Energy Buyers – September 2006

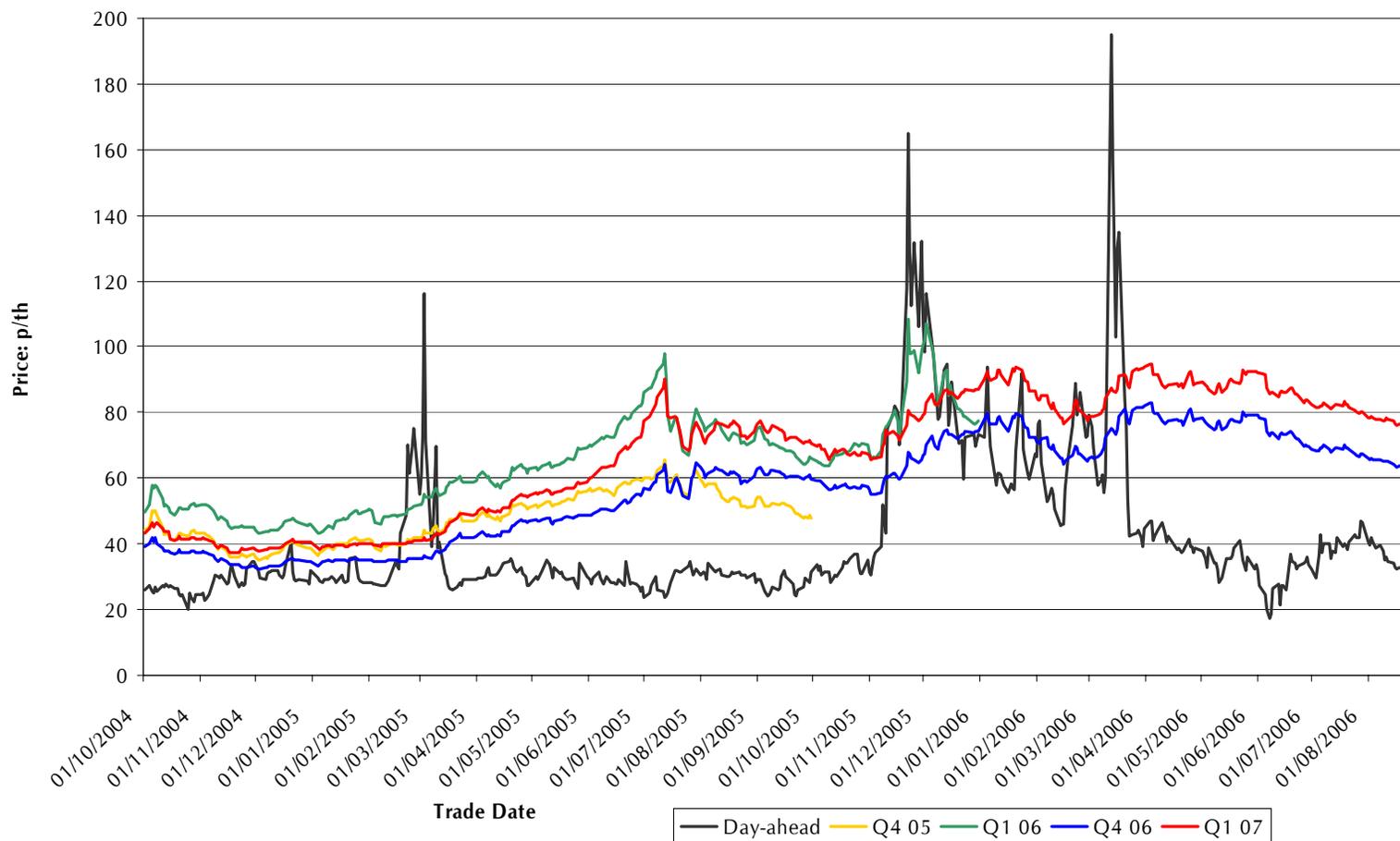
Forward prices: last winter & the winter ahead



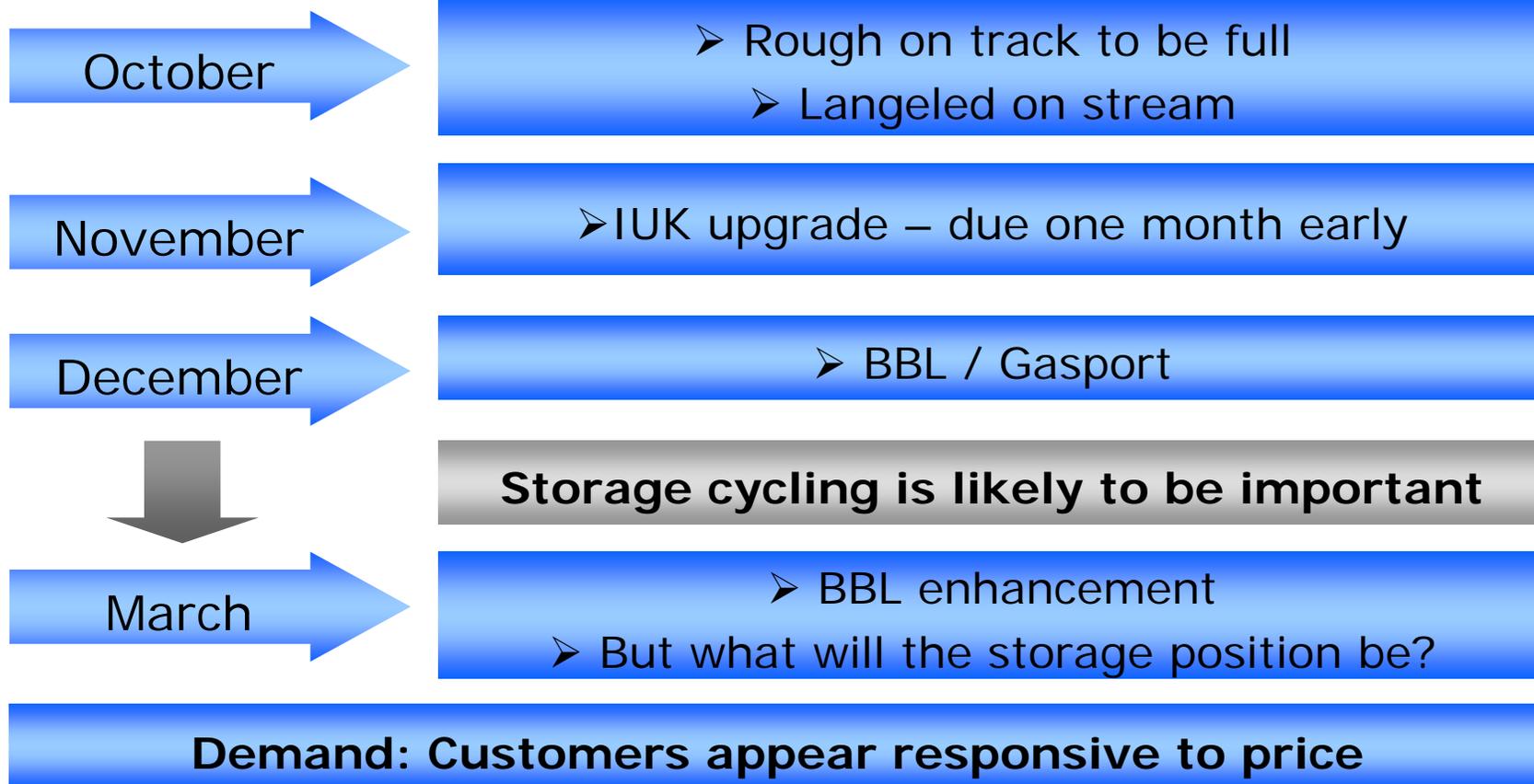
Forward prices: last winter & the winter ahead



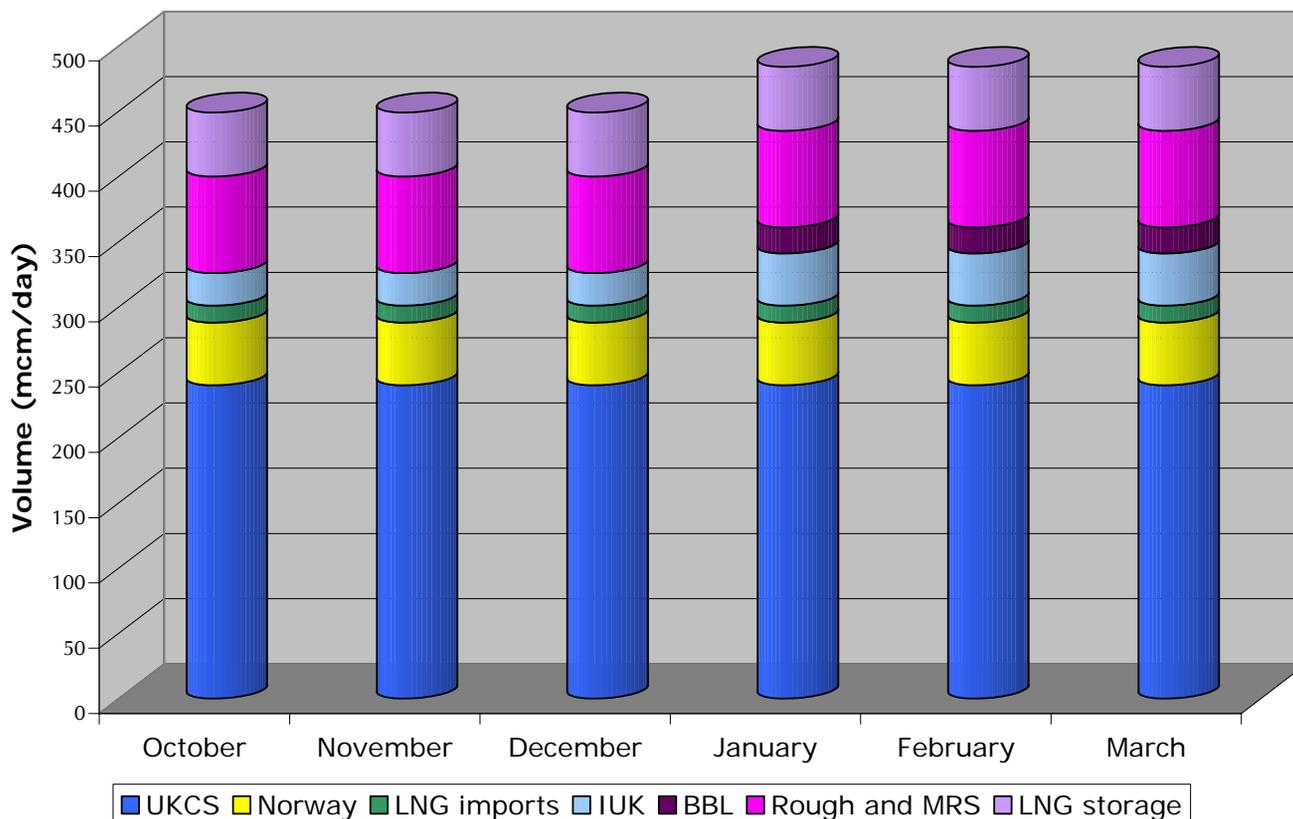
Forward prices: last winter & the winter ahead



Outlook for a 'split winter'



Outlook for Winter 2006/07 – Gas supplies

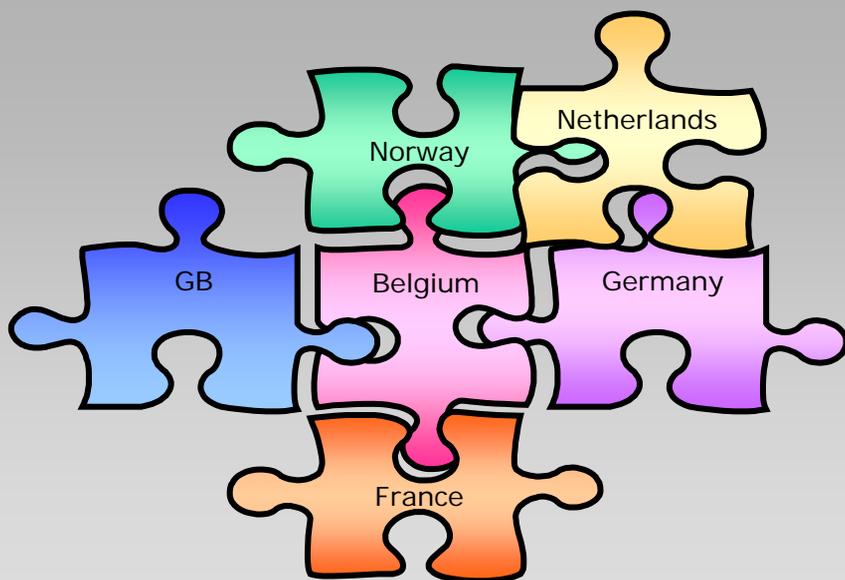


Final phase of NG consultation to be published late September 2006

- Welcome feedback received
- Assists NG in development of a robust outlook for winter

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

European picture – Winter 2006/07

Positive developments

Investment to remove transportation constraints

- Upgrade of East-West transportation in Germany

New supplies of LNG

- New trains and new import capacity

Improvements in transparency

- French storage data available more regularly

Remaining Issues

Gas quality issues constraining flows to GB?

Impact of domestic storage policies

Transmission investment – Netherlands upgrade ongoing

Lack of information transparency

European storage information

Examples of information available from GdF and Total

from the 14 at August 20, 2006			
Stock at the beginning of period	GWh		20 816
Tapped quantities	GWh/week		-
Quantities Injected	GWh/week		1 162
Stock at the end of the period	GWh		
Average rate of racking use			
Average rate of injection use			72%
Ratio volume utilisation (fine of period)			80%

(*): utilisation ratio = subscribed capacities quantities

JUNE 2006			
Stock at the beginning of period	GWh		
Tapped quantities	GWh/month		-
Quantities Injected	GWh/month		4 626
Stock at the end of the period	GWh		
Average rate of racking use			
Average rate of injection use			67%
Ratio volume utilisation (fine of period)			47%

(*): utilisation ratio = subscribed capacities quantities

Week from August 14th to 20th 2006					
Storage group	Quantities in store on 08/21/06 at 6am (TWh)	Withdrawals (GWh)	Injections (GWh)	withdrawal capacity utilisation rate	injection capacity utilisation rate
Centre	39,5	0	1880	0%	85%
		0	600	0%	81%
		0	380	0%	48%
Lorraine	6,1	0	240	0%	64%
Picardie	10,8	0	570	0%	78%
Salins Sud*	9,2	0	230	0%	31%

July 2006			
Storage group	Quantities in store on 07/08/06 at 6am (TWh)	Withdrawals (GWh)	Injections (GWh)
Centre	35,0	0	8580
	10,5	0	2440
	9,1	0	1720
Lorraine	5,6	0	590
Picardie	9,2	0	2320
Salins Sud*	9,2	0	1100

Injection volumes

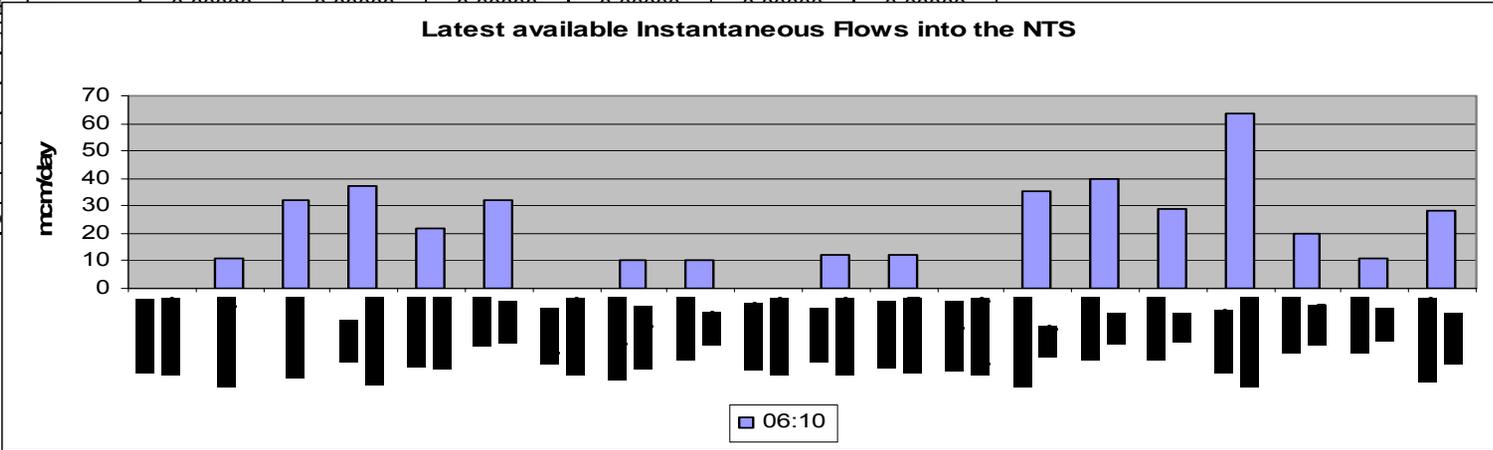
Withdrawals

Quantities of gas in store

GB picture – 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 - Cond	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

- New information flows
- Users to develop understanding
- NG workshop – September 11/15



GB picture - New incentives on NG

- Customer concerns on quality of market information
- Incentives proposed to deliver quick wins in time for winter 2006/07

Gas demand forecasting accuracy incentive

- System gas demand
- Day ahead forecast

Website performance incentive

- Availability/timely delivery of key gas data

Incentives now implemented, effective 1 October 2006

Initiatives ahead of Winter 2006/07

European Flows

- European Companies;
- European Commission

- Greater European info transparency
 - Further enhancement in GB?
- Contingencies/DTI

Information provision

DSWG

- Proposed incentives for NG
- Barriers to customer DSR?

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

Gas Quality

Gas Safety Reserve

- Review of current arrangements – enduring solutions?

- Winter outlook
- Options for Energy Buyers
 - Contingency arrangements

Seminar programme

Ofgem Seminar Series



Powering the energy debate



Powering the energy debate



2006 events programme

- 13 September** **Gas Quality Workshop** - to be held in London
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

- 13 October** **Gas Contingency arrangements seminar** - to be held in Manchester
Ofgem Seminar
For more information contact wholesalemarkets@ofgem.gov.uk

- 10 November** **Options for energy buyers seminar** - 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

2007 events programme

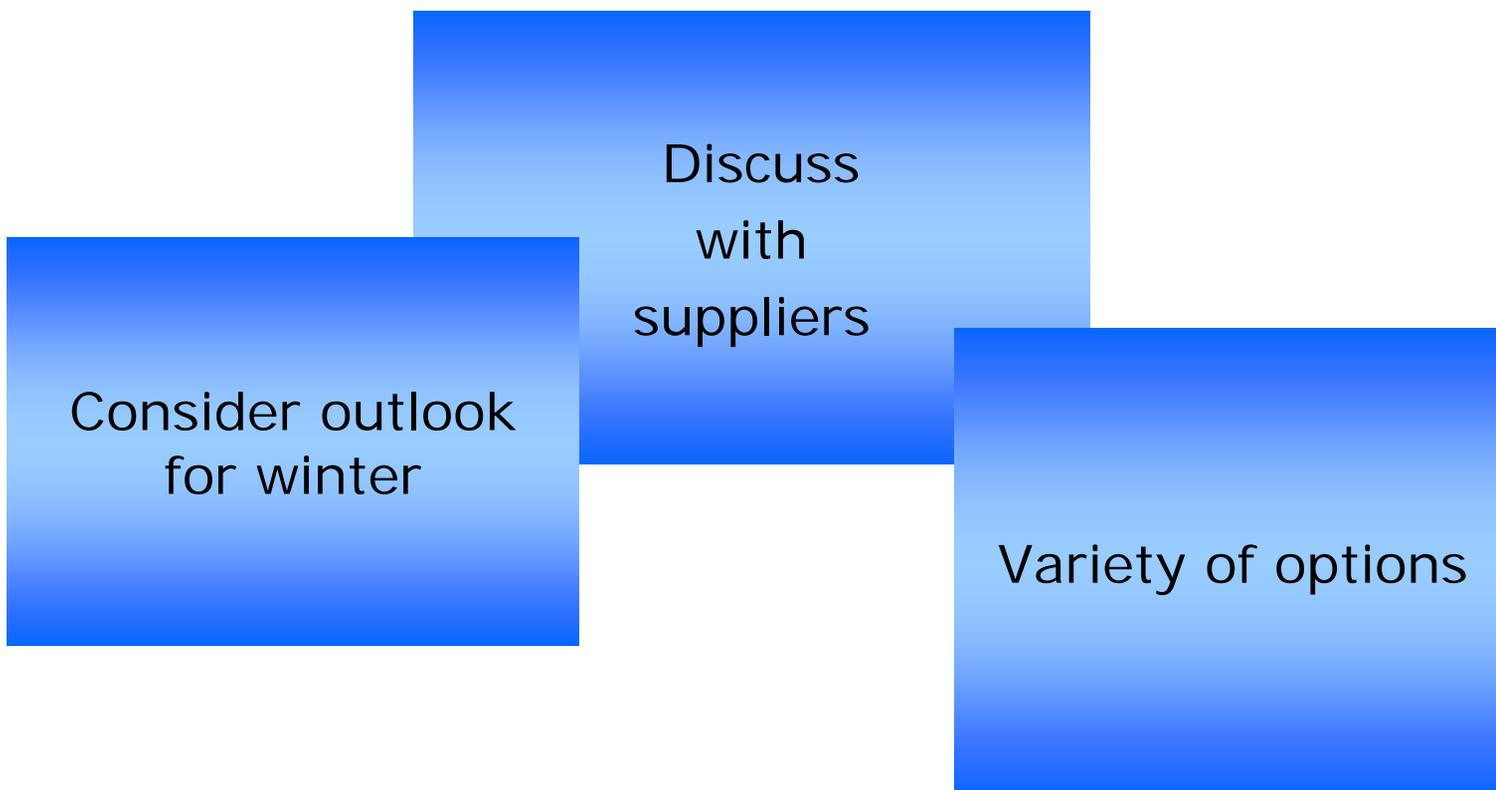
- 24 January** **Winter to date seminar** - to be held in Manchester
Ofgem Seminar
For more information contact wholesalemarkets@ofgem.gov.uk

- 29 March** **Winter to date seminar** - to be held in London
Ofgem Seminar
For more information contact wholesalemarkets@ofgem.gov.uk

- 5 April** **Winter to date seminar** - to be held in Glasgow
Ofgem Seminar
For more information contact wholesalemarkets@ofgem.gov.uk

To reserve a place contact:
wholesale.markets@ofgem.gov.uk

Summary



A large version of the ofgem logo, featuring the word "ofgem" in white lowercase letters on an orange rounded rectangular background. The background of the slide is a faded image of electrical components, including a three-pin plug and a circuit breaker panel.

ofgem

Promoting choice and value for all
gas and electricity customers