

A blurred background image showing various electrical components, including a power strip with multiple outlets and a power cord, set against a light blue and white color scheme.

Winter to date

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Overview

The Road to Winter 06/07

The GB Gas Position

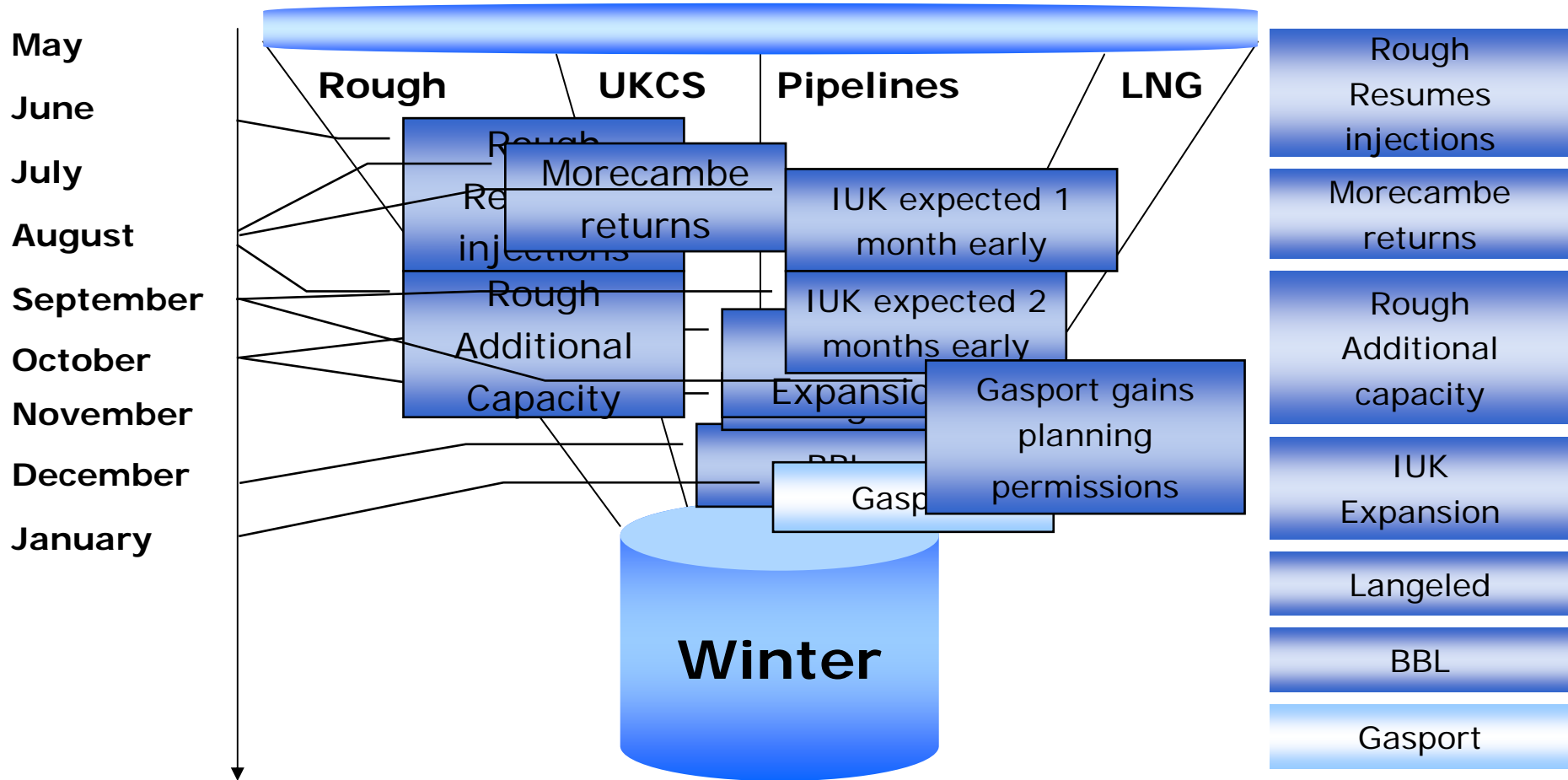
- Falling prices
- GB's changing position

Electricity

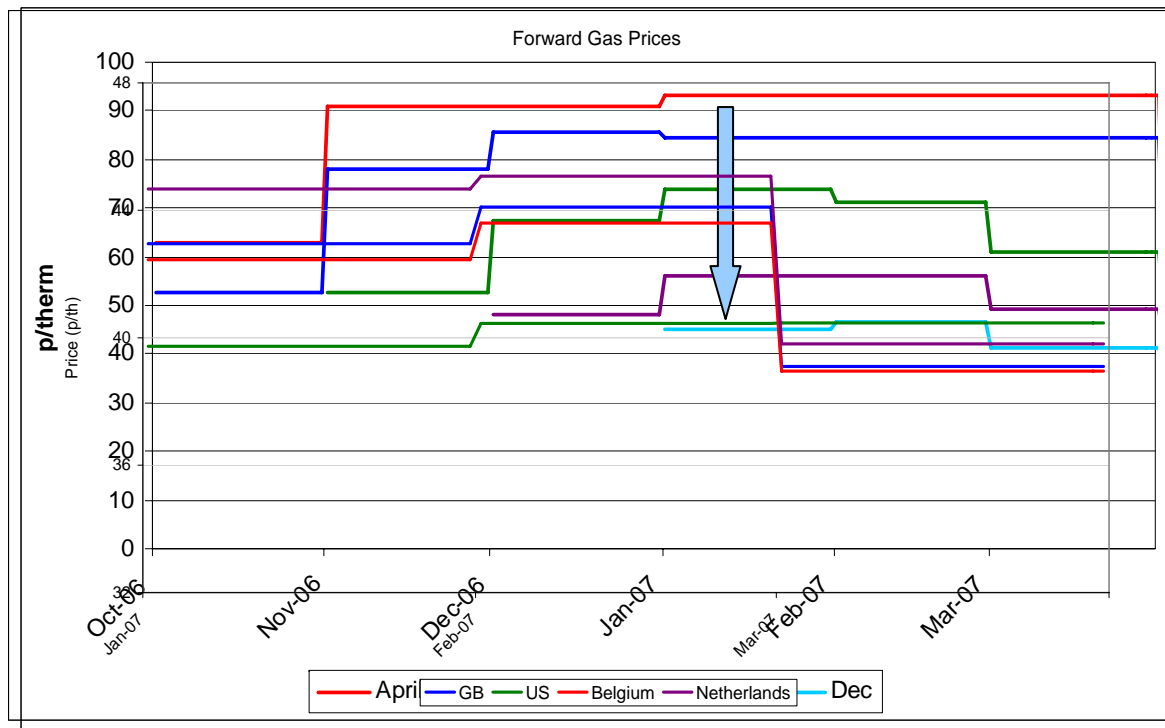
- Winter to date
- future challenges

Overview of Ofgem's work in wholesale markets

The road to winter...



As uncertainties reduced, so have wholesale prices...



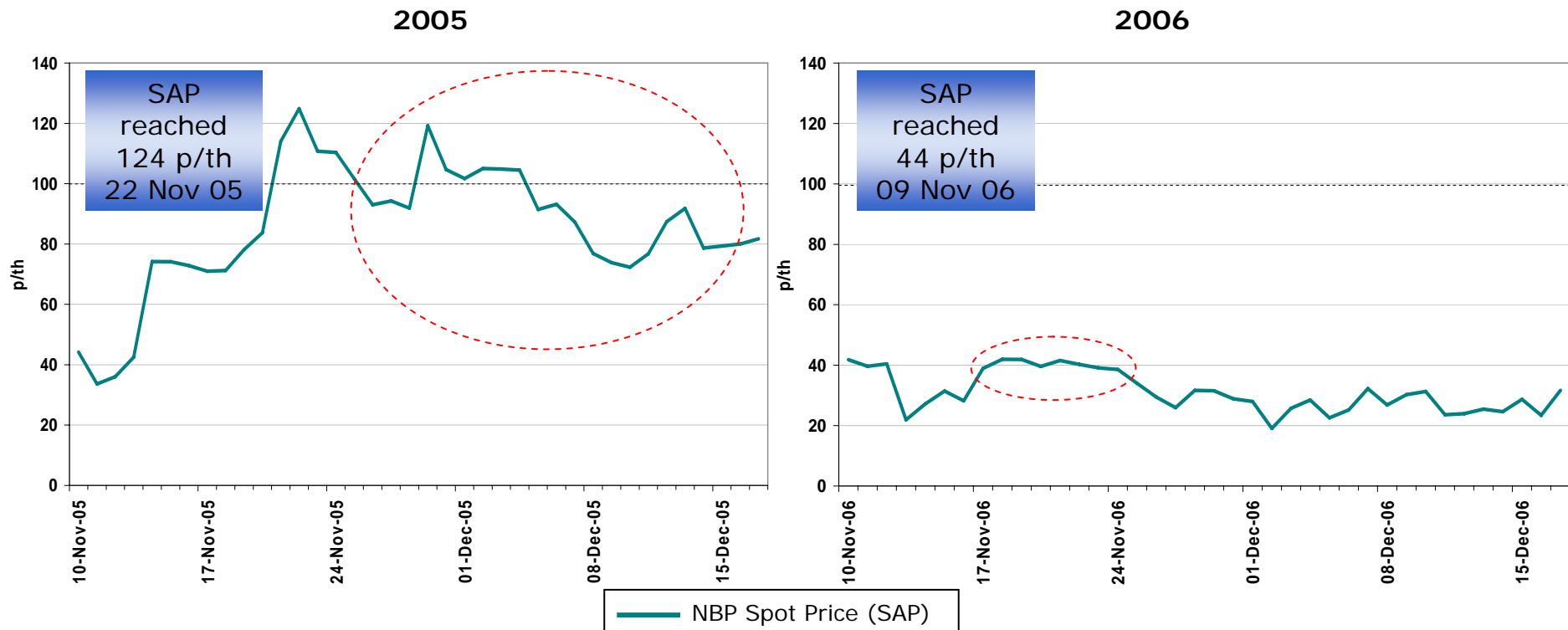
April 2006 ~ GB market for this winter had highest price in world



Outlook is now better

Prices for January have halved since April

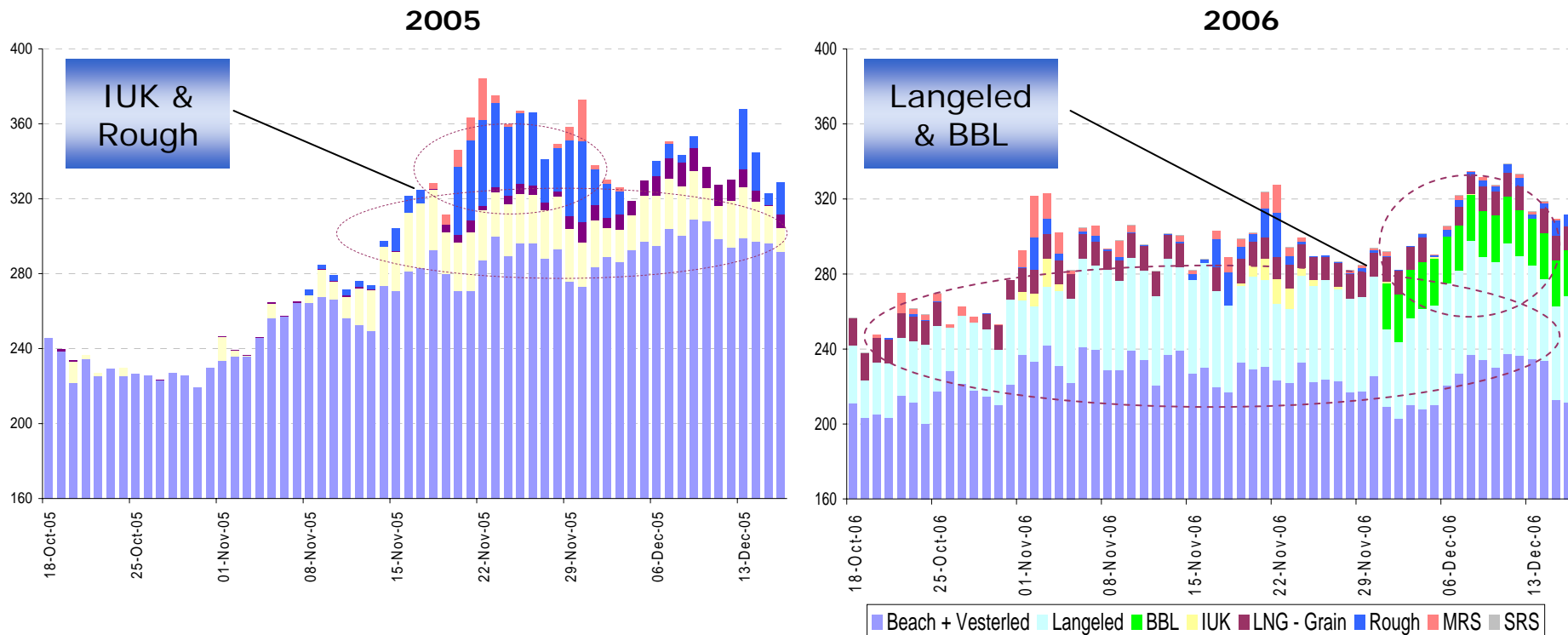
Not only lower, but more stable...



103p variation in prices Oct – Dec 05

34p variation in prices Oct – Dec 06

Gas supply position has improved...



New infrastructure and mild conditions have meant very low volumes of gas have been taken from store

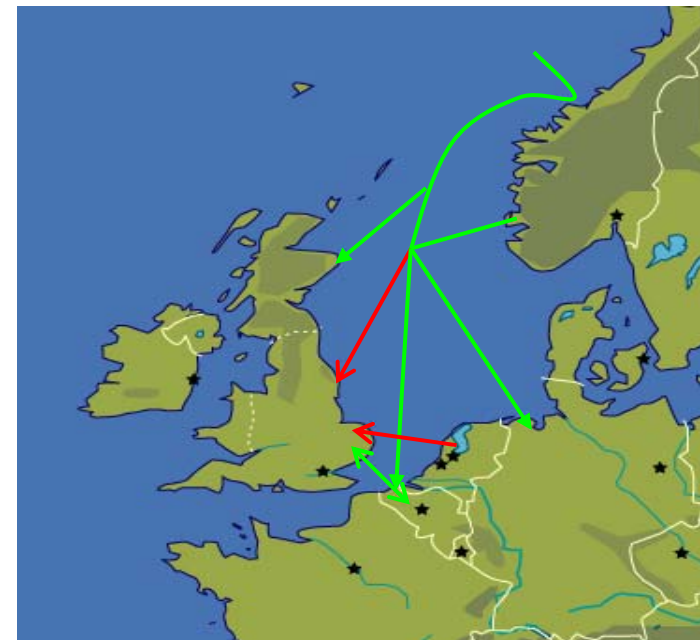
Transit UK?

2005



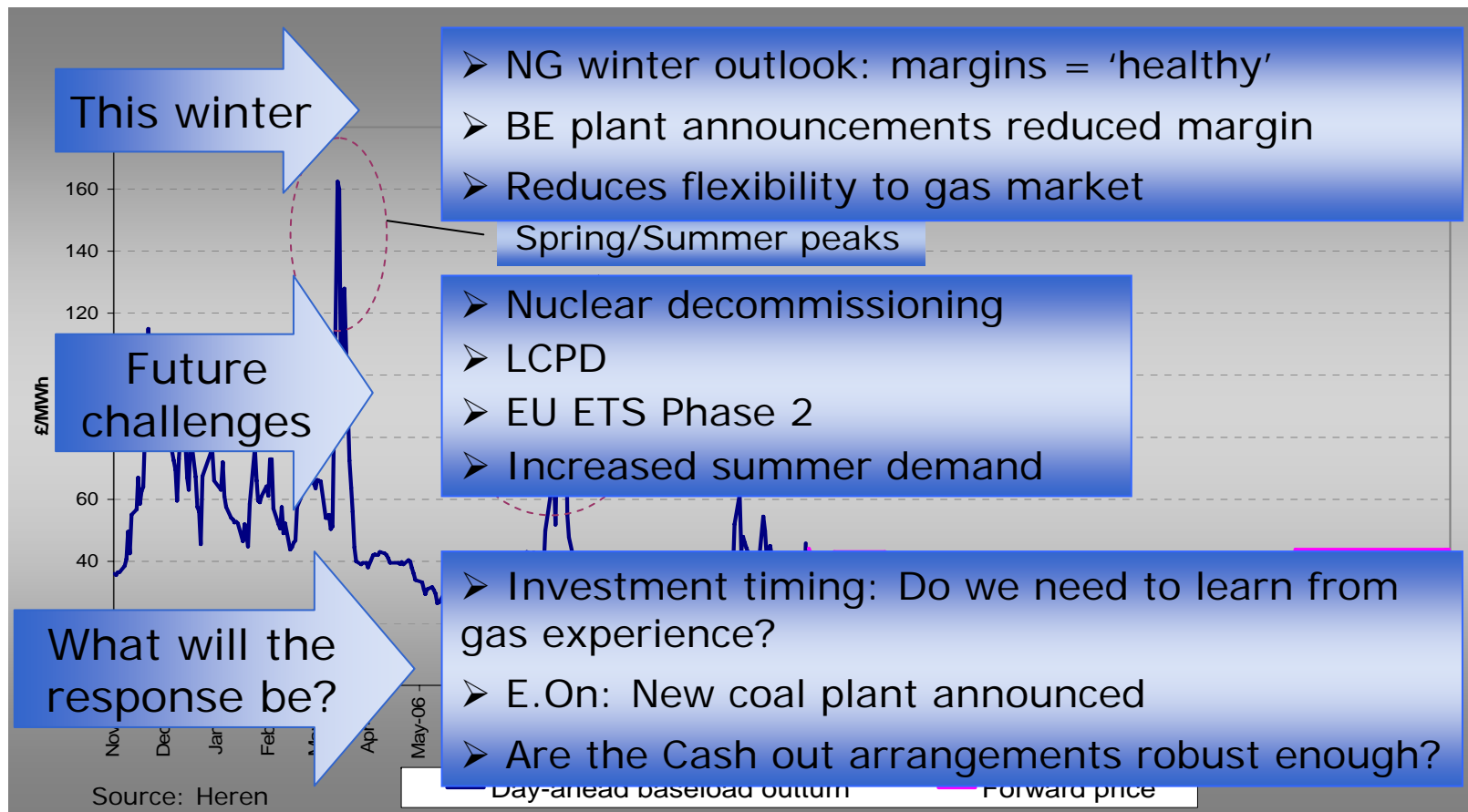
2005: Limited links

2006



2006: New links Norway & Holland
- Routes to both GB and EU Markets

Future challenges in Electricity?



A blurred background image showing various electrical components, including a blue power strip with multiple outlets, a white electrical outlet, and a yellow power strip with a red emergency stop button. The image is overlaid with a large, white, rounded rectangular box containing the title text.

Key areas of Ofgem policy focus

Ofgem's work in wholesale markets

Leading voice in Europe

- DG COMP / DG TREN reports
- Regulators making progress through Regional Initiatives

- Improvements in NGG website
- Improvements in European information transparency
- Gaps still remain

Information transparency

Electricity cash out review

- Wide ranging review starting in the new year
- Industry input key

- Ofgem chairing Gas quality workstream
 - Review of Gas emergency arrangements
- Discussions on gas reserve in January

Gas issues

Ofgem fully supports work of the EC

DG COMP and DG TREN reports to be published 10 January

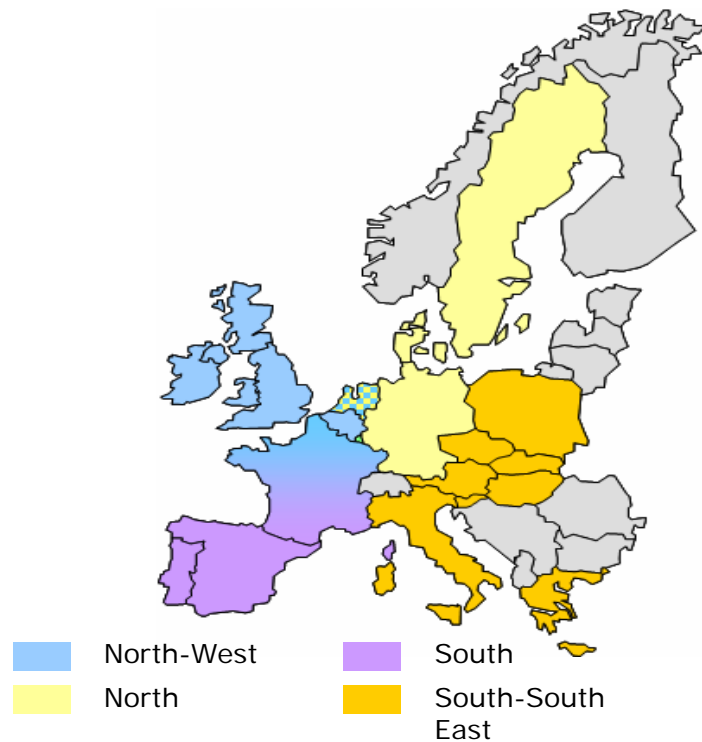
...that's when the challenge begins!

We want to make our voice heard...

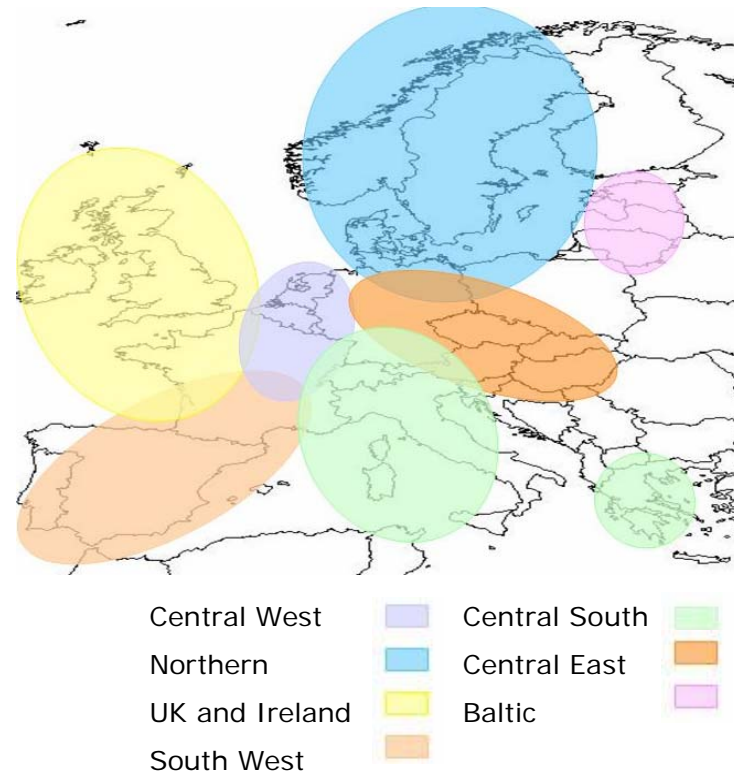
YOU NEED TO DO THE SAME!

Regulators making progress in Europe

Gas Regional Initiative

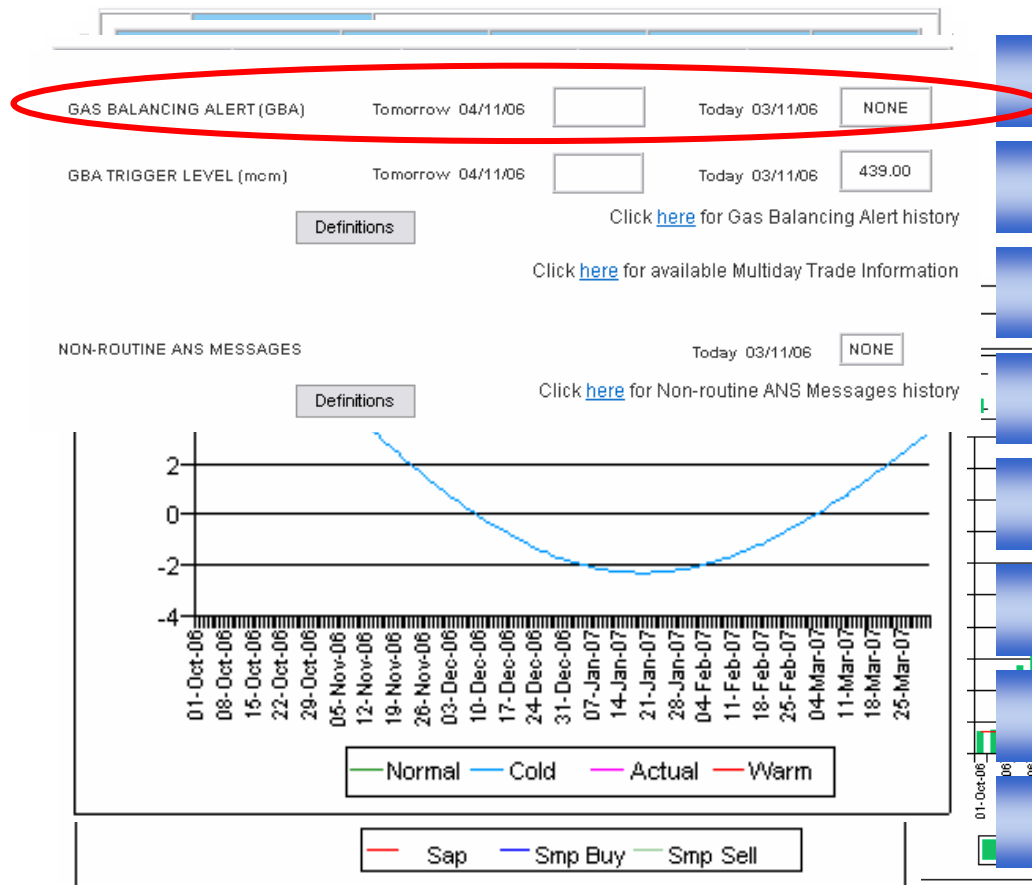


Electricity Regional Initiative



Real progress being made – customer involvement is important

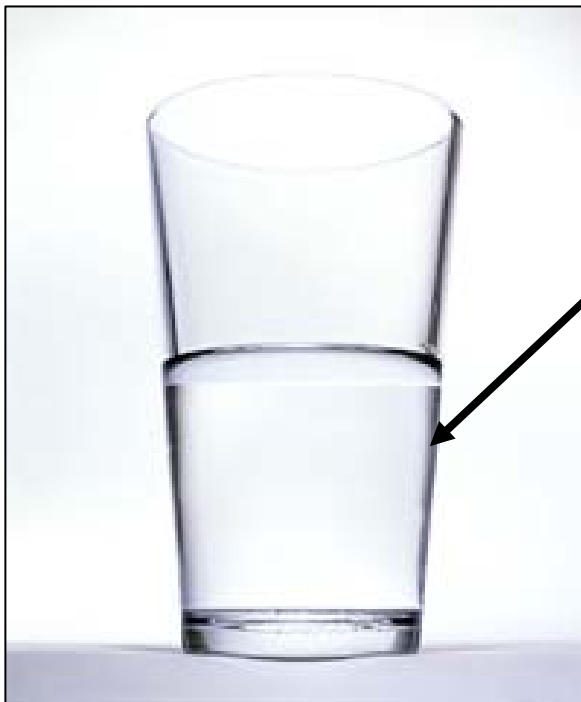
GB – improvements in transparency



- Demand data
- Storage position
- Summary of supplies
- Linepack position
- Pricing information
- Weather data
- Transporter interruptions
- Market Alerts – ‘GBAs’

Transparency in Europe

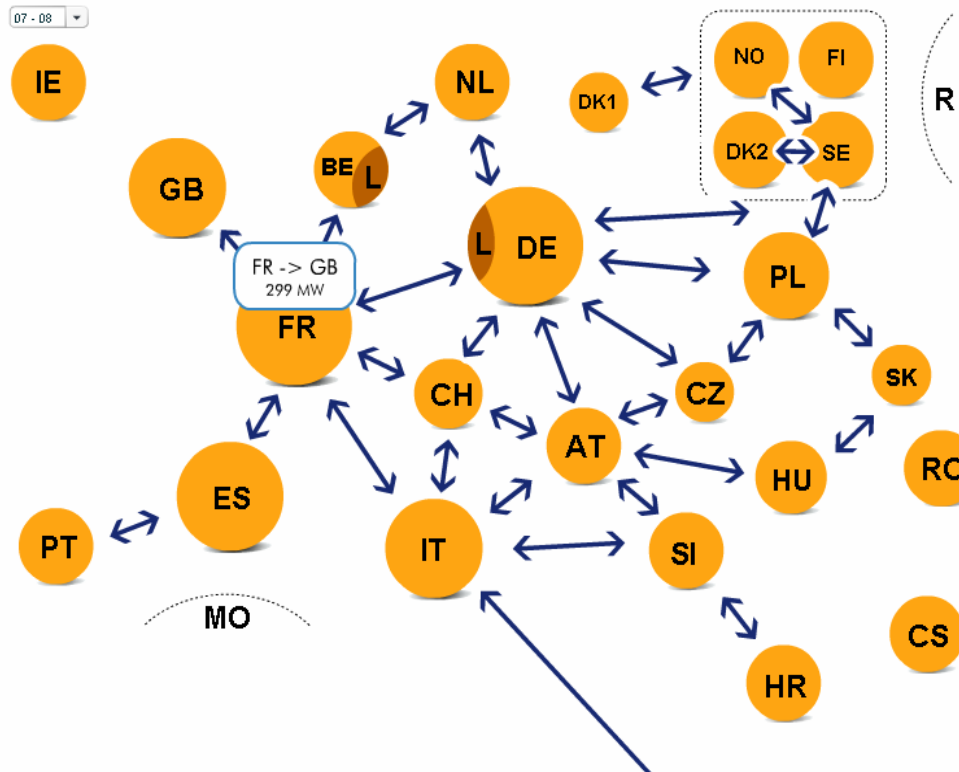
Steps in the right direction...



Is the glass half full?

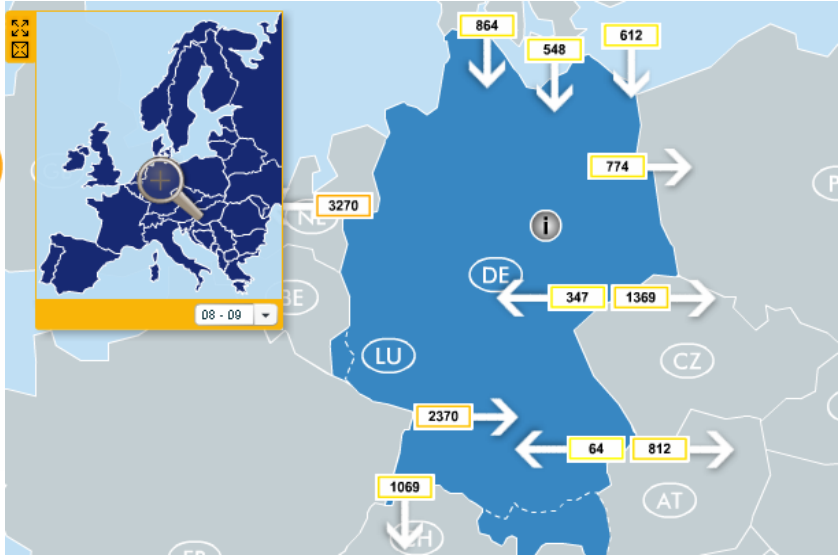
- Increase in storage and gas quality info
 - European storage stock data to be published by GSE from January
- ETSOvista (electricity)
- Work on regional initiatives underway
- European Winter Outlook Reports:
 - 1st European electricity report - 10 Nov

ETSOvista



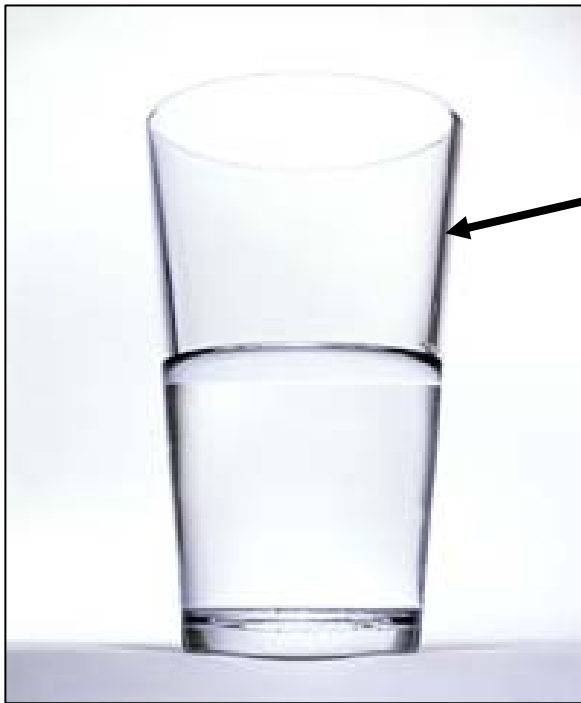
Hourly flows between all European countries

Individual country detail



Transparency in Europe

...Gaps still remain



Is the glass half empty?

- Field specific information ahead of time from Norway?
- European Winter Outlook for gas?
- ETSOvista for gas?
- Commission continuing to push for wider market liberalisation...
- ...barriers still exist

Fresh look at Electricity Cash Out

- Focus on gas this winter
- But potential for squeeze in electricity in coming years?
 - Are cash out arrangements sufficiently robust?

Recent electricity mods have highlighted deficiencies in current electricity cash out arrangements

Wide ranging review

Number of possible areas for review identified

Overall aim of simplifying the arrangements

Review to begin early in new year – industry engagement is key

Gas policy initiatives

Gas quality

- Developed realistic scenarios
- Assessed options for regulatory framework
- Concluded partial regulation appropriate

Results of industry assessment in January

Gas emergency arrangements

- *Cash out*: need a dynamic price?
- *Credit*: robustness of arrangements assessed
- *Contacts*: varied shipper performance

Looking for resolution this winter

Gas reserve

- Status quo maintained for this winter
- NG raised "polluter pays model" for potential implementation for winter 2007/08

Further debate of this model in January

Summary

Winter to date has gone smoothly...

...but we are only halfway there

Important challenges to come...

- Flexibility of gas infrastructure to respond to opportunity presented by "Transit UK"
 - Investment in electricity
- **Your input is needed** on all of our main areas of policy development
- **10 January is a key date** – industry and customer voices need to be heard in Europe as well as in the UK!



Promoting choice and value for all
gas and electricity customers