



# The Winter To Date

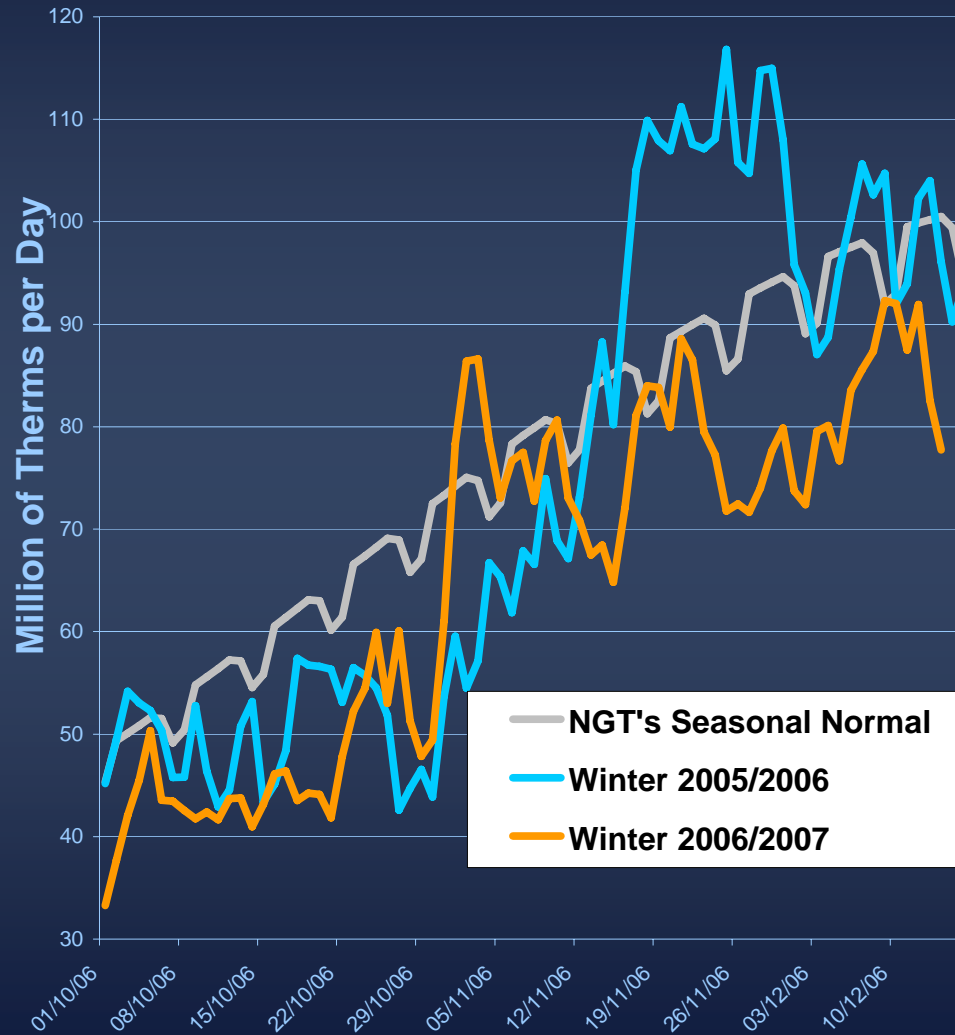
**Paul Dawson**  
**Barclays Capital**

**20 December 2006**

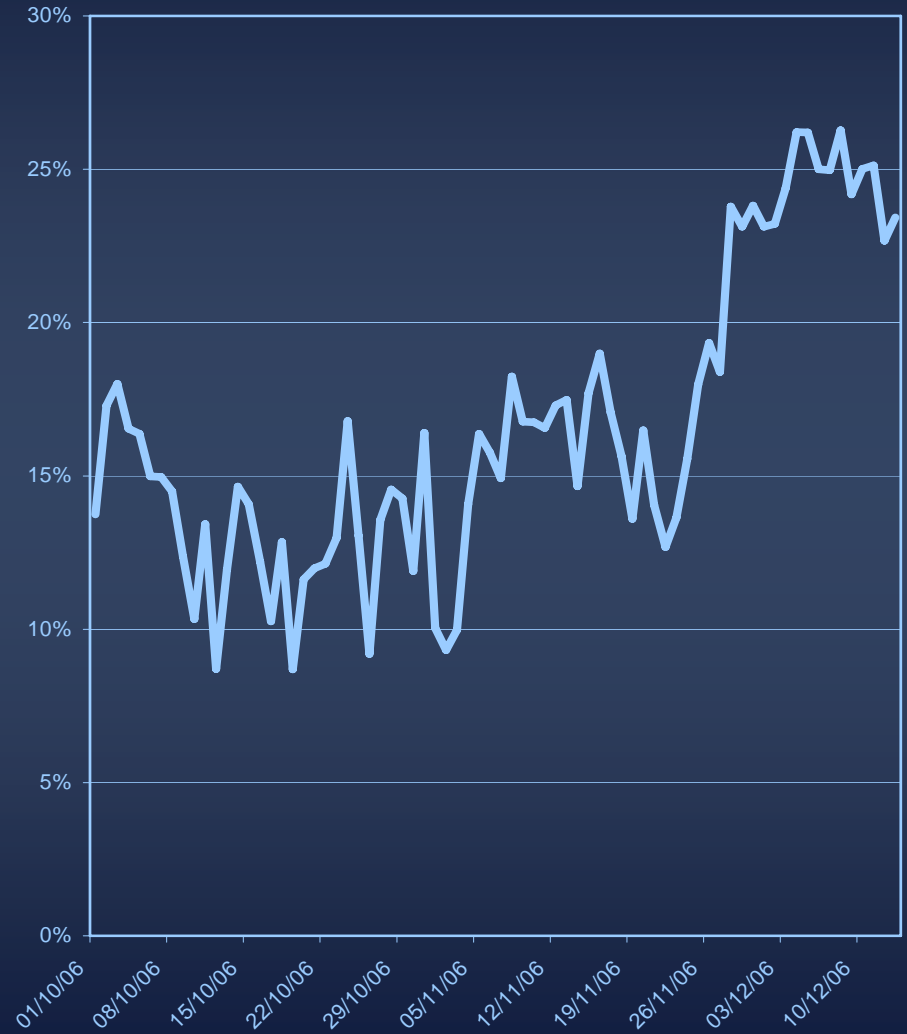
# The Winter to Date

- The winter to date
- Christmas in Europe
- A Happy New Year?

# Just like the ones we used to know?



Langeled plus Balgzand Bacton Line (BBL)  
Flows as a % of Total Demand

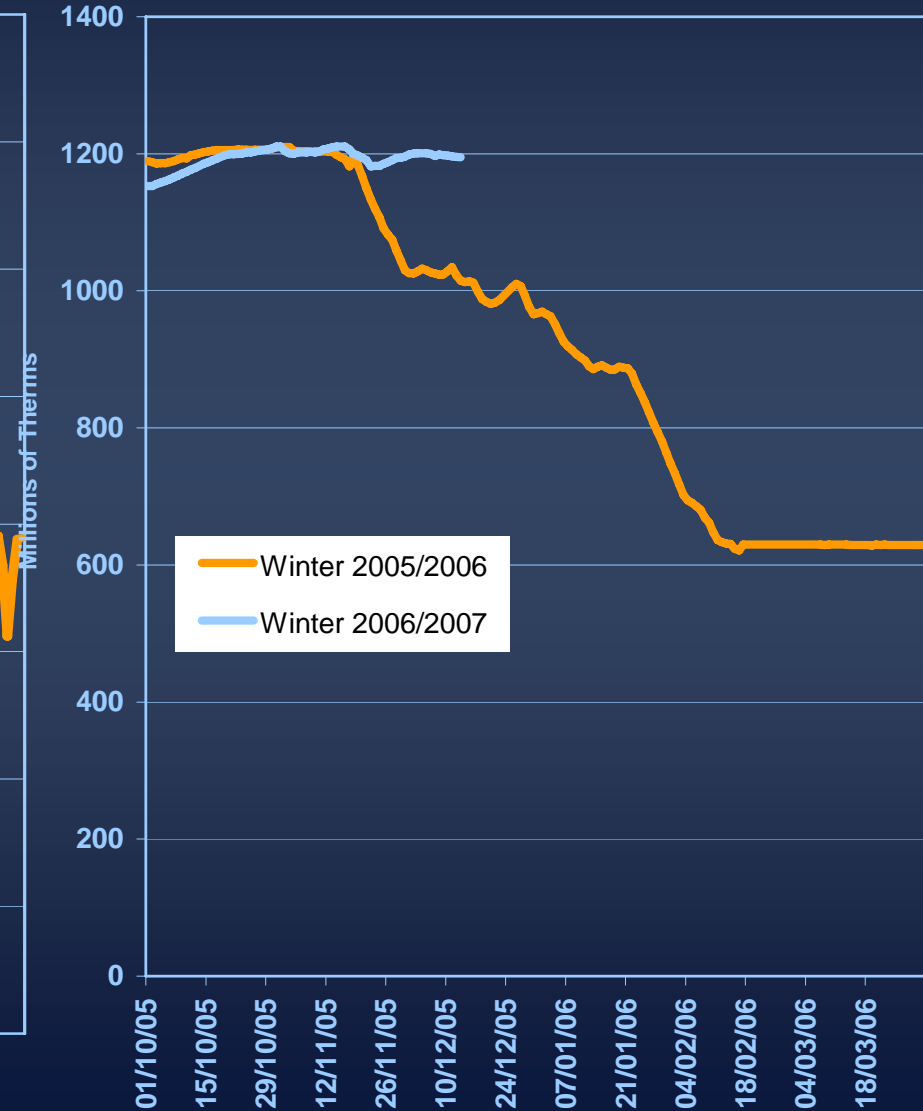


# Just like the ones we used to know?

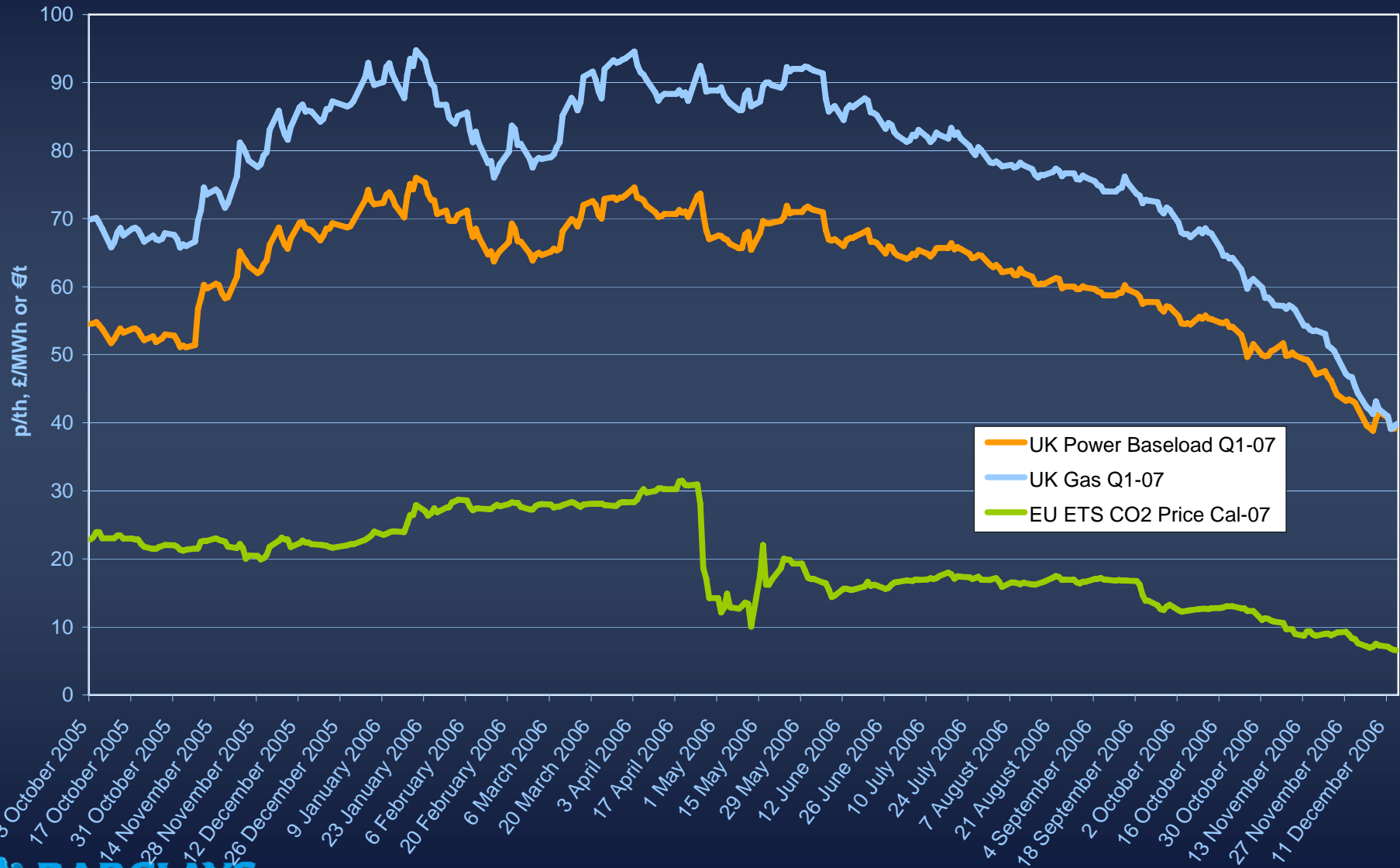
### Interconnector Flows



### Rough Stock Level

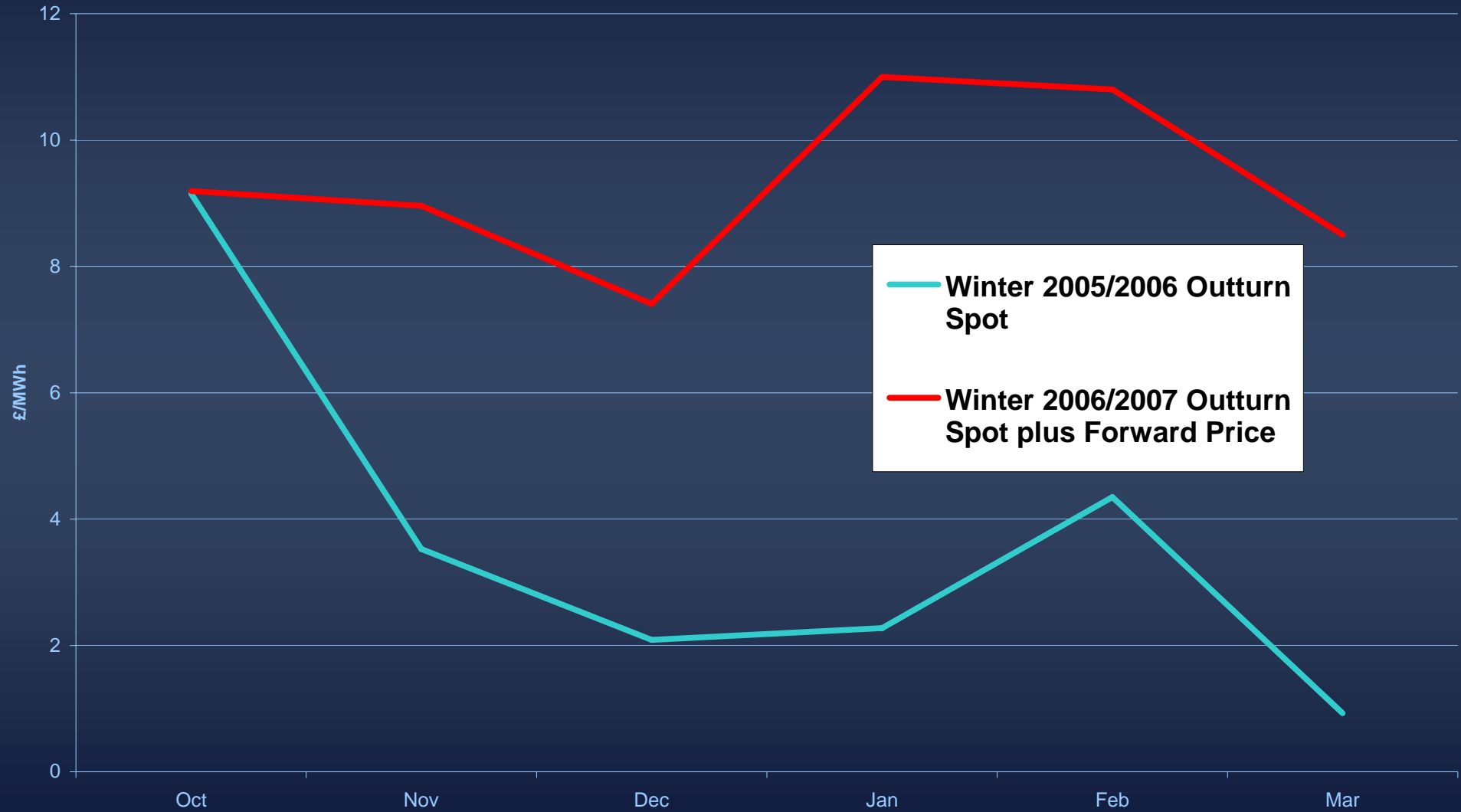


# Jingle bells



# Figgy pudding

Clean (EU ETS adjusted) Baseload Spark Spreads



# A blue, blue Christmas

## Market concentration and price formation

- Price caps set “so low ... that they fully prevent market opening in complete violation of the directives”
- Liquidity and competition has dried up



# They never let poor Rudolph join in any reindeer games ...







- No gas, no capacity, no storage, no customers, no competition
- Failure to unbundle networks effectively
  - Discrimination
  - Information
  - Failure to invest
- Lack of market integration
  - Maximisation and allocation of capacity
  - Inefficient congestion management



# The lights are turned way down low...

Degree of information release on power generation

-  Unit-by-unit
-  Complete aggregated
-  Incomplete
-  Nothing



# The star in the west

Competition

Low entry and  
switching  
barriers

Effective TPA

**Efficient  
markets, pricing  
and effective  
customer  
choice**

Confidence  
in prices

Transparency

# Three from the East



Arriving early in the morning, bearing gifts:

- Competition action
- Infringement actions and “third package”
- Emissions trading decisions

**On the 17<sup>th</sup> day of Christmas, my true love  
sent to me ... five gold reforms!**

**Fair  
Access &  
Unbundling**

**Strong  
Coordinated  
regulators**

**Fair  
competition**

**Clear  
investment  
framework**

**Help  
Small  
customers**

**... as well as existing infringement proceedings, ERGEG  
initiatives and competition cases**

# I'm dreaming of a white Christmas (still!)

## ETS National allocation plans

- 10 determinations to date unexceptionable
- Hasn't prevented some (vocal) objections

## EU ETS Review

- Must be seen in wider global context
- High level group has confirmed primacy of ETS
- Focus on consolidating and extending ETS

# A Very Merry Xmas and a Happy New Year!

- UK markets have worked as expected
  - Delivered investment
  - Prices have fallen
- The New Year will see the start of a major programme of reform in Europe
- A genuine internal market by January 2009?

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