Winter 2006/07 and beyond

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What a difference a year makes

How did Winter 2006-07 outturn?

- New infrastructure delivered on time
- New + stable gas supplies / electricity system OK
- Low price levels for all of winter
- How much of a role did the weather play…

…did we get lucky?

Winter 2007-08 and beyond?

- Key issues / risks ahead?
- GB as net importer – global markets / new challenges
- How can the experience of the last two winters help?

Lead up to winter 06/07…

Will Rough be back – will it be full?

UKCS – will other platforms be affected?

New infrastructure – will it be delivered on time…

…and will it bring gas?

Gas-Electricity market interactions?

Split winter scenario?

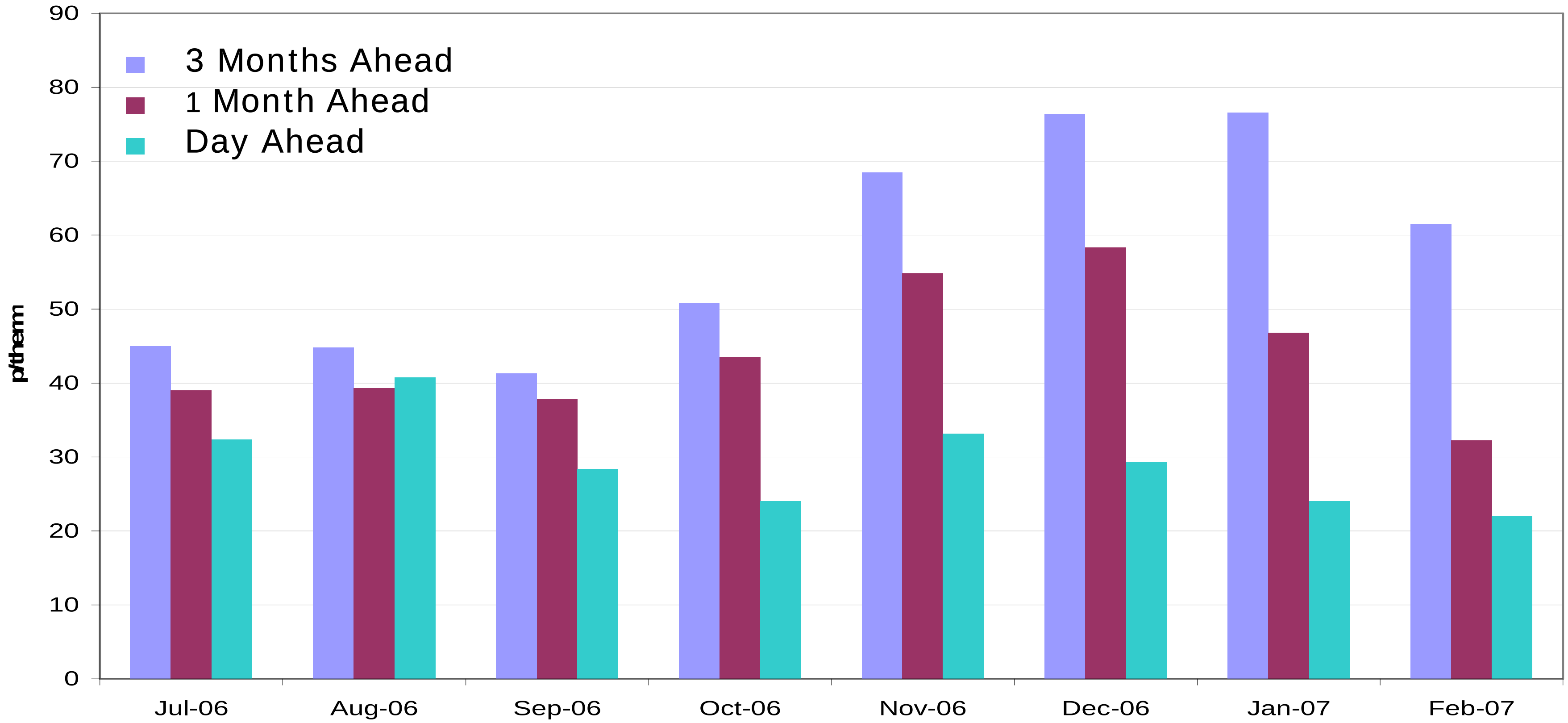
Storage cycling likely to be key

Demand = key unknown

Risks vs. Outcomes

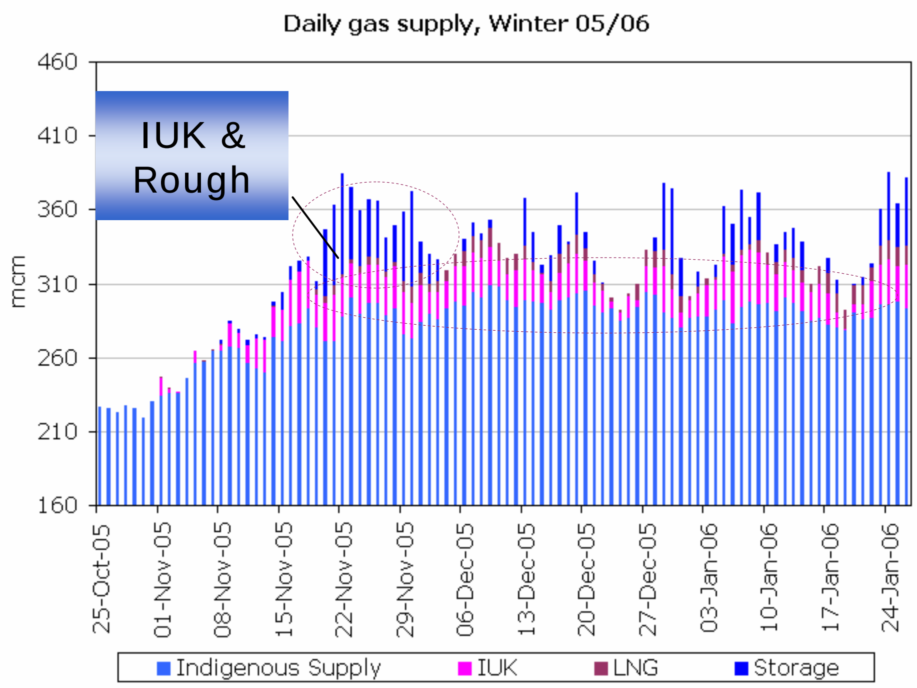
Rough platform back in operation … **+ additional capacity available** **No wider UKCS issues as well**	✓
Successful delivery of infrastructure projects ***No small feat – congratulations go to market players***	✓
More gas than expected arrived… ***…questions remain why?***	?
Very mild GB + European winter … ***…Did we get lucky?***	?

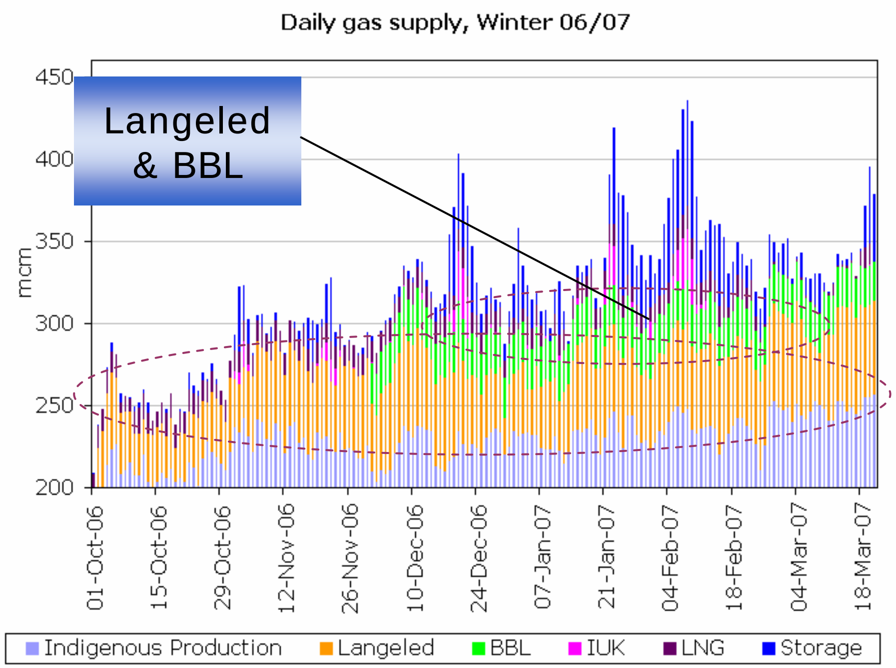
Wholesale gas price response



Wholesale prices have collapsed - but some questions remain

New sources of supply delivered



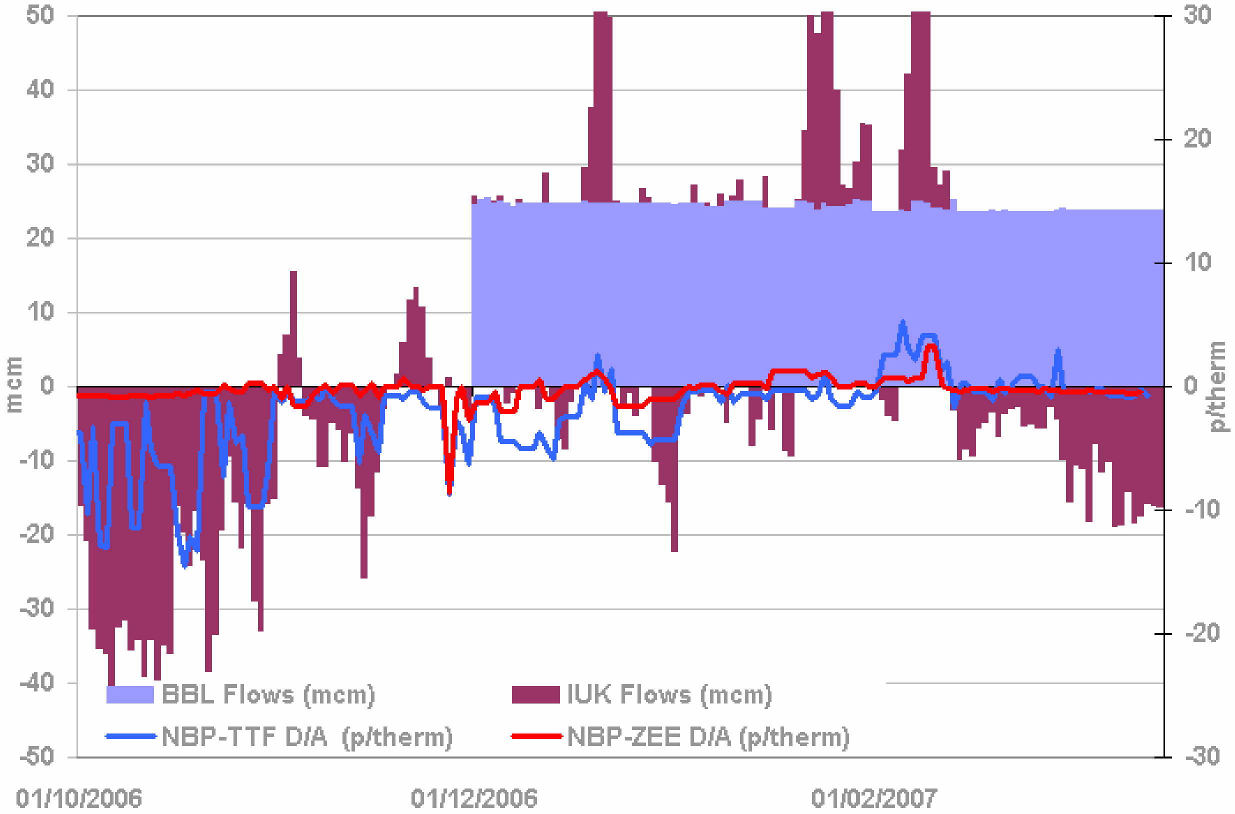


Increased interaction with European / global markets

European gas flows

Import

Export

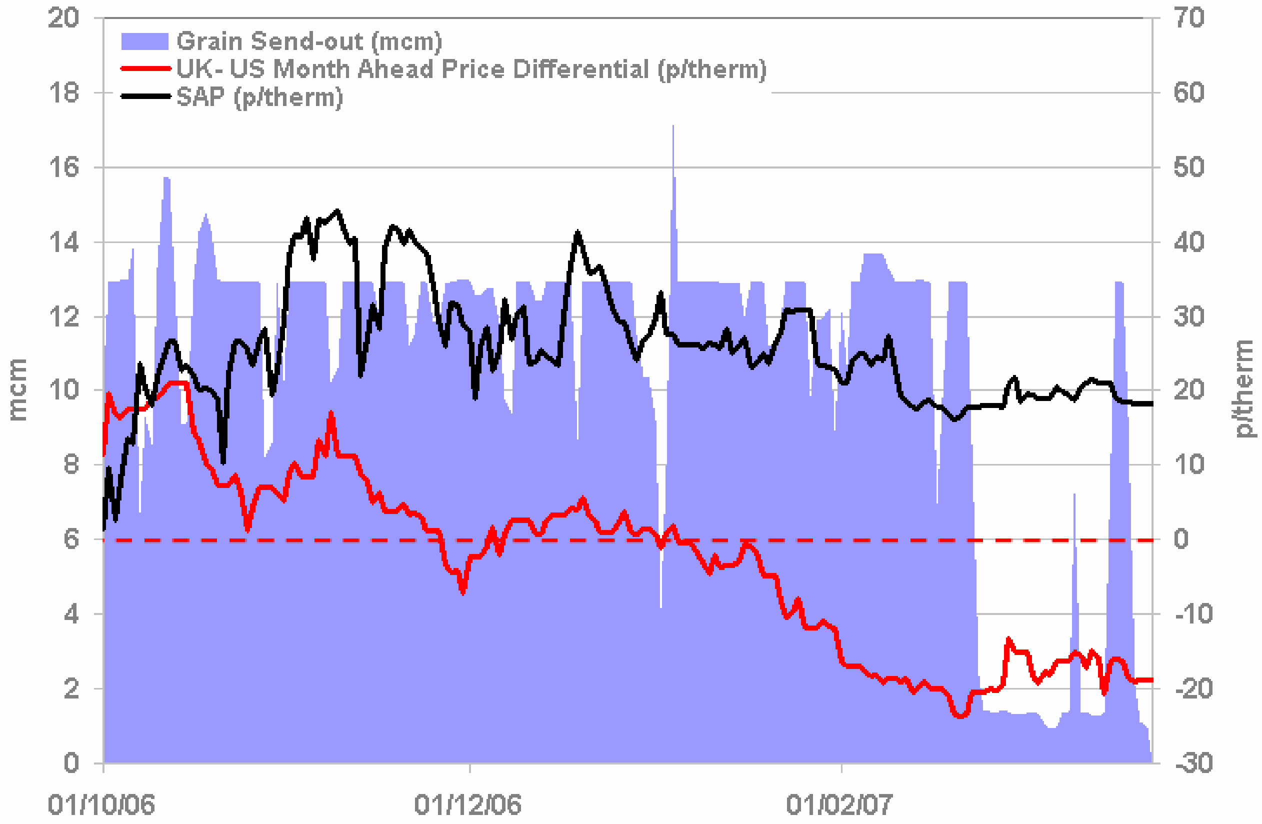


- BBL flowing flat …

… but IUK more price responsive?

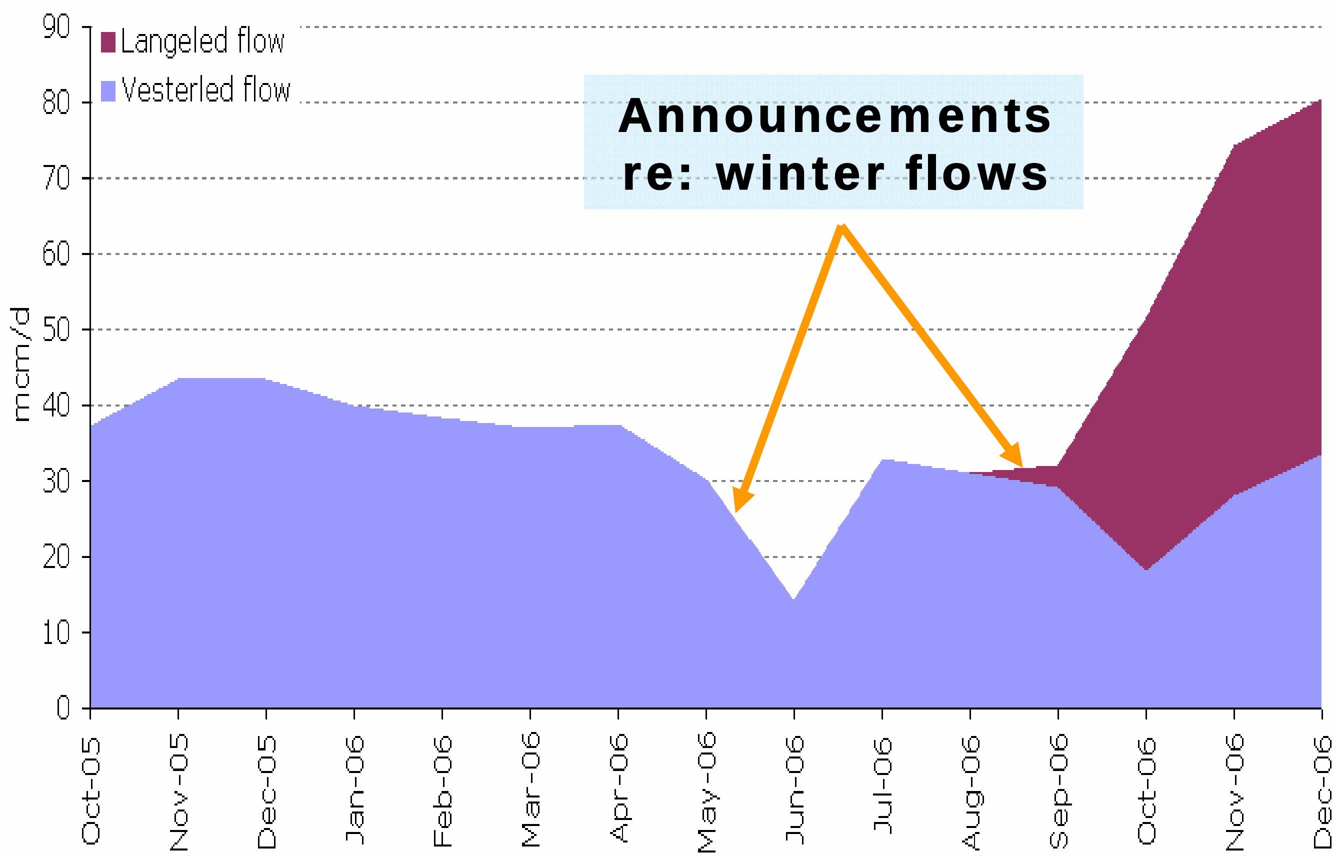
- Contractual flows?
- Reflects low European demand?

The LNG ships kept coming…



- ➢ **Grain delivering at base-load for most of winter 06-07**
- ➢ **Global LNG market oversupply?**
- ➢ **Limited European competition for cargoes?**

Very strong Norwegian gas flows?

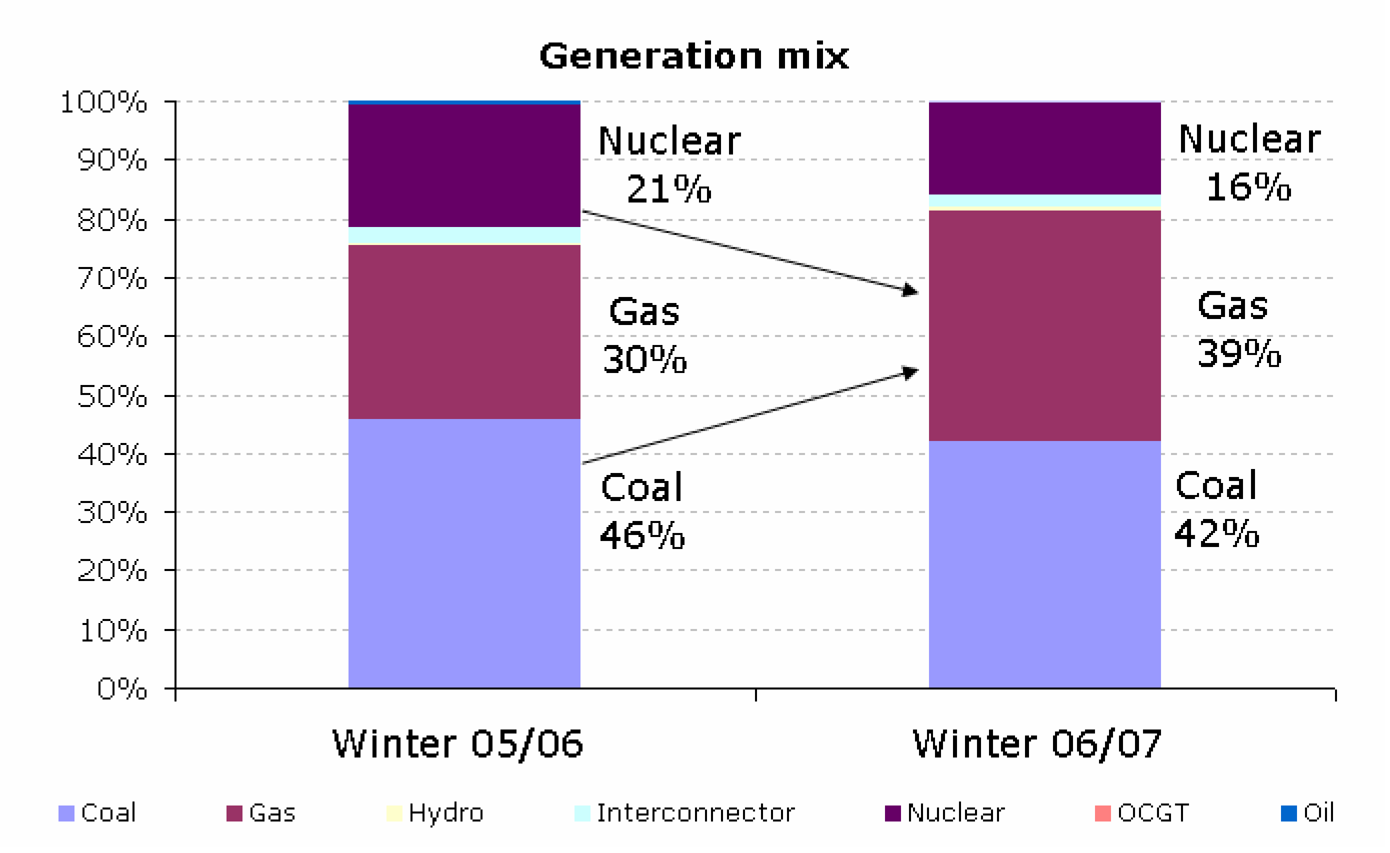


- Langeled – successful project delivery
- Supplies have far exceeded expectations for this winter
- ***Driven by EU demand?***
- ***Commissioning year?***
- Winter 07-08 – what will Ormen Lange bring?

Wholesale electricity market

Winter to date - 28 March 2007

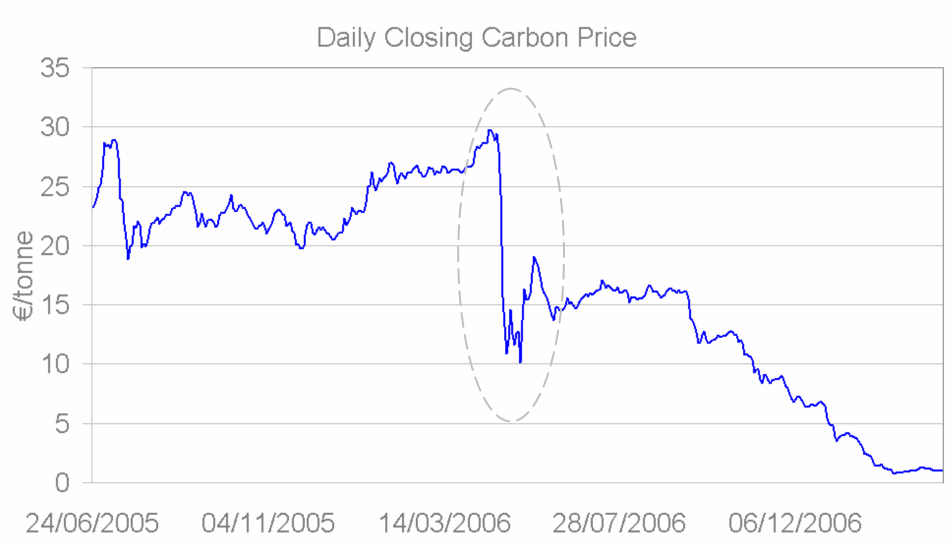
Change in the generation mix



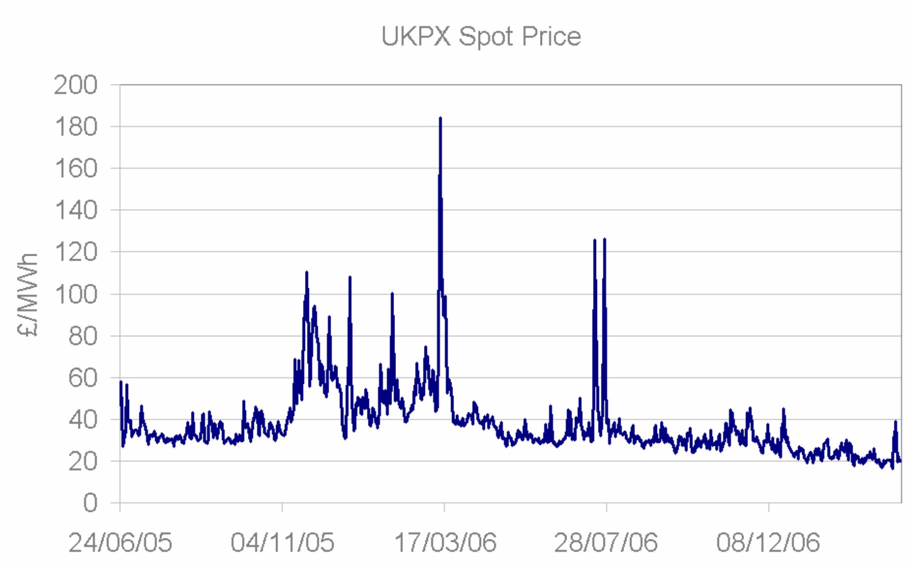
- Greater use of gas fired plant this winter
- Margin remained 'healthy' – despite issues with BE nuclear fleet
- Locational issues in Scotland – use of Longannet

Wholesale electricity prices also down...

Carbon

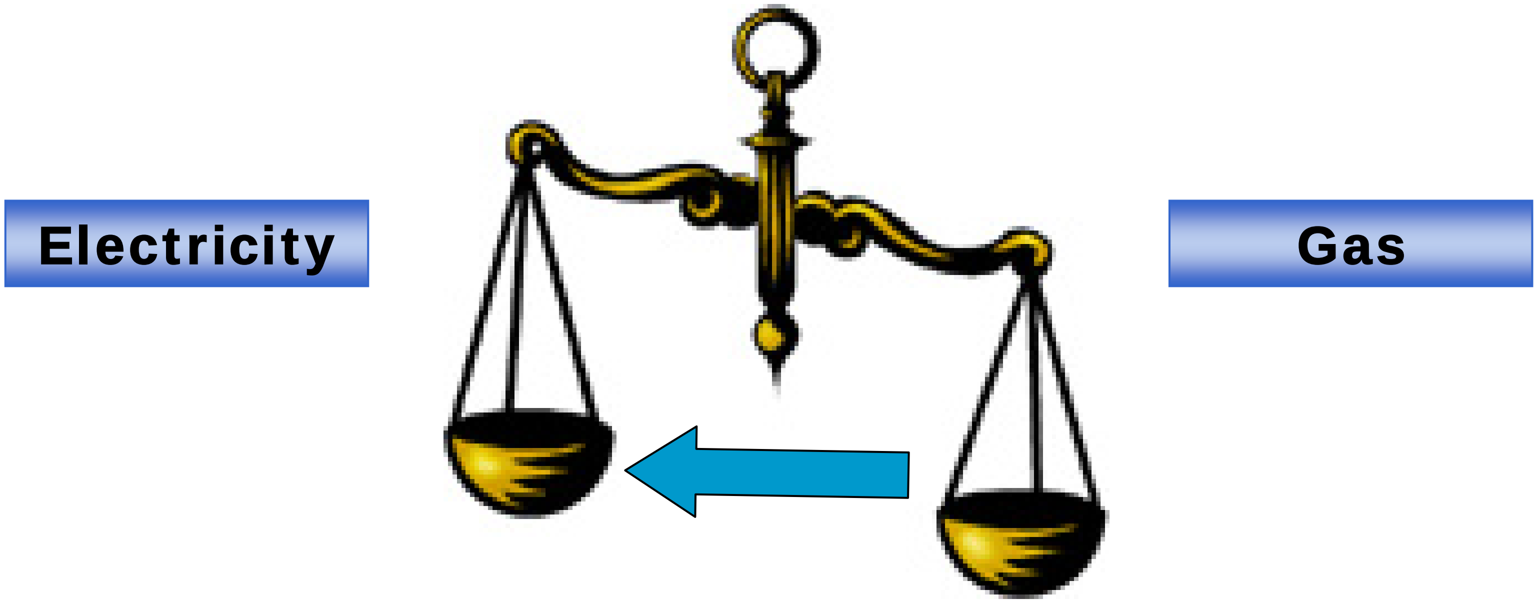


Electricity Spot Price



➢ **Collapsing gas and carbon spot prices have lead to a collapse in power prices**

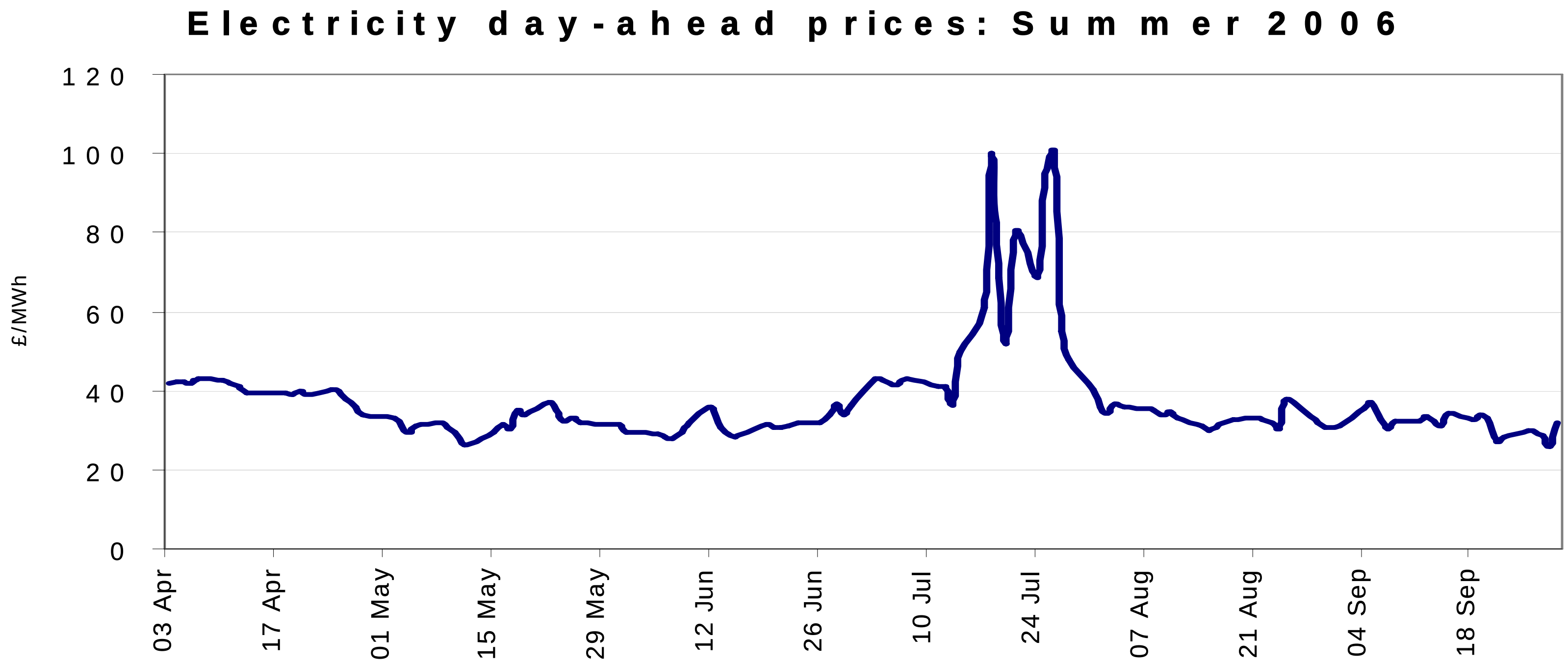
Looking ahead to winter 2007/08



Is the balance of risk shifting?

New challenges – markets are responding

But first…are there lessons to learn from last summer?



- ➢ **Air conditioning loads - changing demand needs?**
- ➢ **Is more information needed - maintenance schedules (?)**

Winter 2007/08 – gas issues?

Will capacity = commodity?

- Does experience of this winter hold true for supply expectations?
- Norway / Continent / Global LNG?
- Continued decline of UKCS – but introduction of more LNG (MH)

Congestion at key entry terminals this winter

- Potential for issues ahead?
- What could this mean against different supply/demand scenarios?

Challenging demand conditions – GB/Europe?

- How much was this winter down to the weather?

Winter 2007/08 – electricity issues?

Winter 2006/07 - problems with aging nuclear fleet

- Potential reliability concerns?

Gas-Electricity market interactions

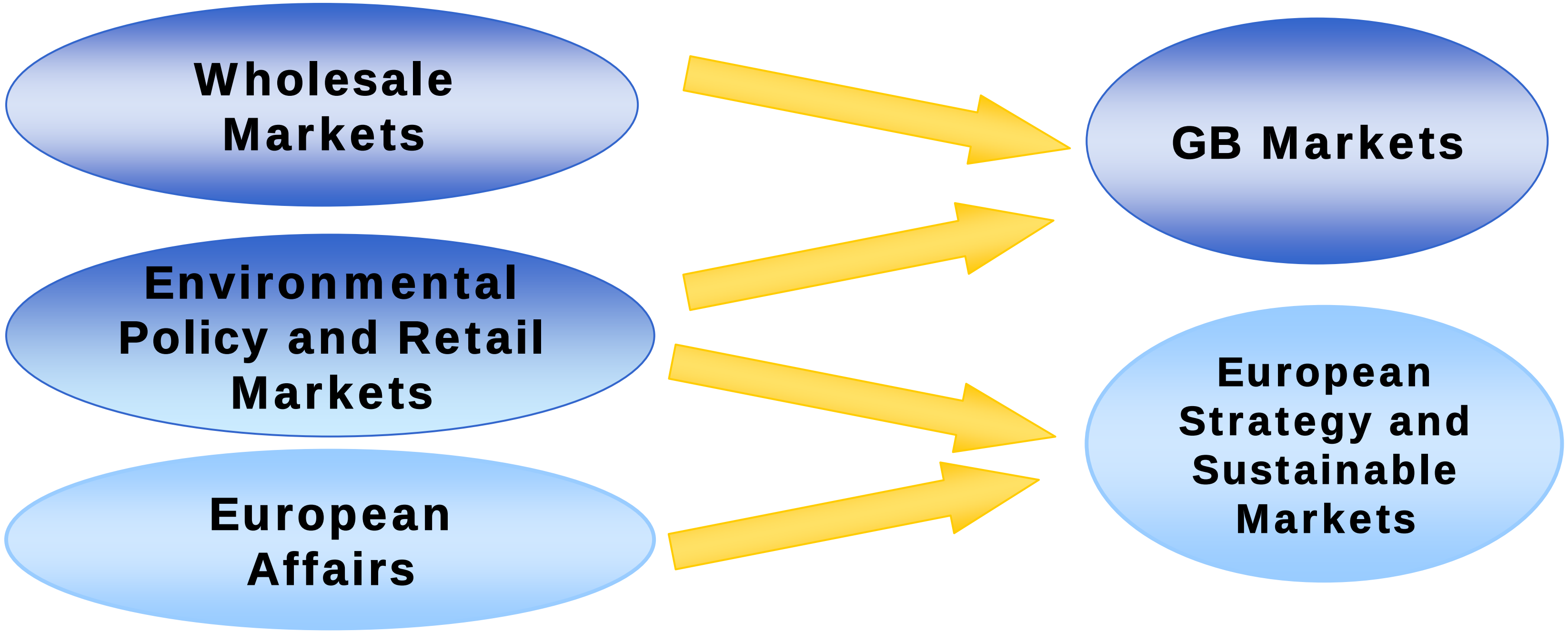
- How plausible against difficult demand conditions?

2020 challenge – CO2 reduction / renewables targets

- Energy sector has key role to play - what will this start to mean in GB?

… for existing fleet + new build?

Restructuring of Markets division



New Markets team structure to respond to changing needs

Promoting choice and value for all gas and electricity customers