

Winter 2006/7 and Beyond

A Generator's Perspective



Steve Gordon
March 2007

ScottishPower
Energy Wholesale

SP Winter Response Team



ScottishPower
Energy Wholesale

Hoping for Sunnier Times Ahead!!

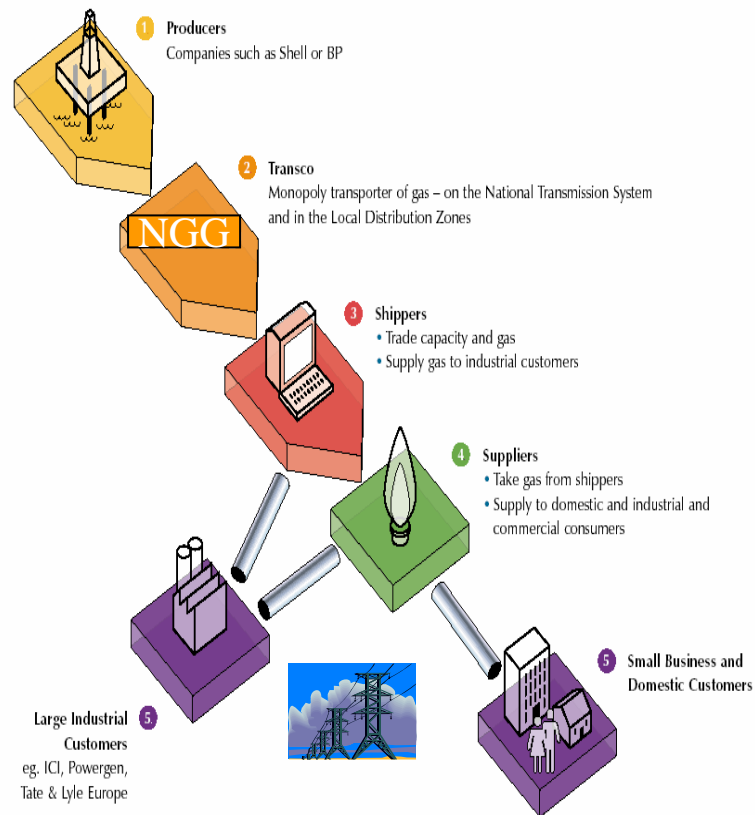


.....when the gas comes in!

ScottishPower
Energy Wholesale

Generation Plant as Gas Customer

- Over 30% of our gas portfolio is own generation plant
- Key to energy market security of supply
- These sites are as much gas customers as large industrial sites
- Able to offer significant demand-side response
- Decisions based on energy market perspective



ScottishPower
Energy Wholesale

SP has a flexible portfolio



Coal

CCGT

Storage



CHP

Wind

Hydro

Pumped Storage



ScottishPower
Energy Wholesale

Regime Change



EXIT REFORM

Emergencies
Security of Supply

Price
Controls

Charging
Methodology
Changes

ScottishPower

Energy Wholesale

Issues for SP this Winter

- Construction begins on Europe's largest windfarm at Whitelee
- Production Licence and Hatfield Moor acquisition
- Iberdrola Offer
- Longannet conveyor belt collapse
- Project Launched to build world's biggest commercial wave farm

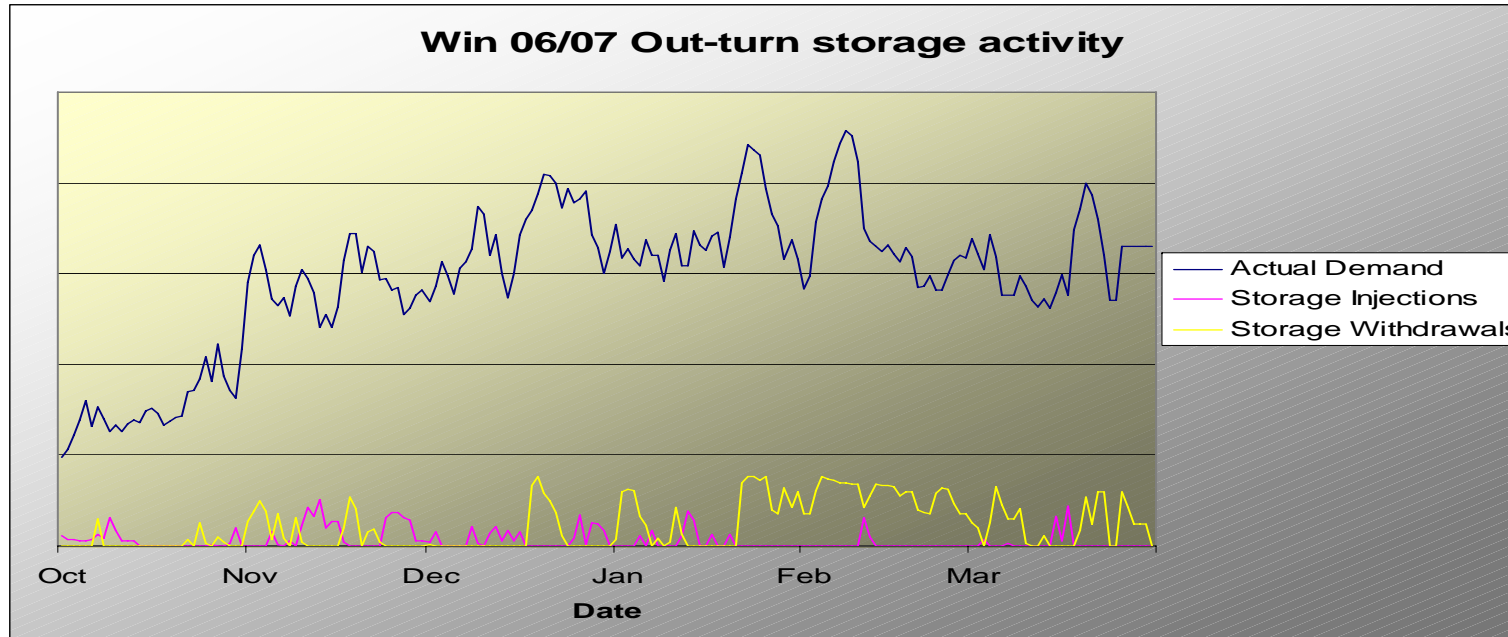
c/w

- Delivering a regulatory compliance framework
- Period of sustained low prices and demand below seasonal normal
- Plant Issues – gas quality impacts
- Exercise Neptune and testing Emergency Procedures



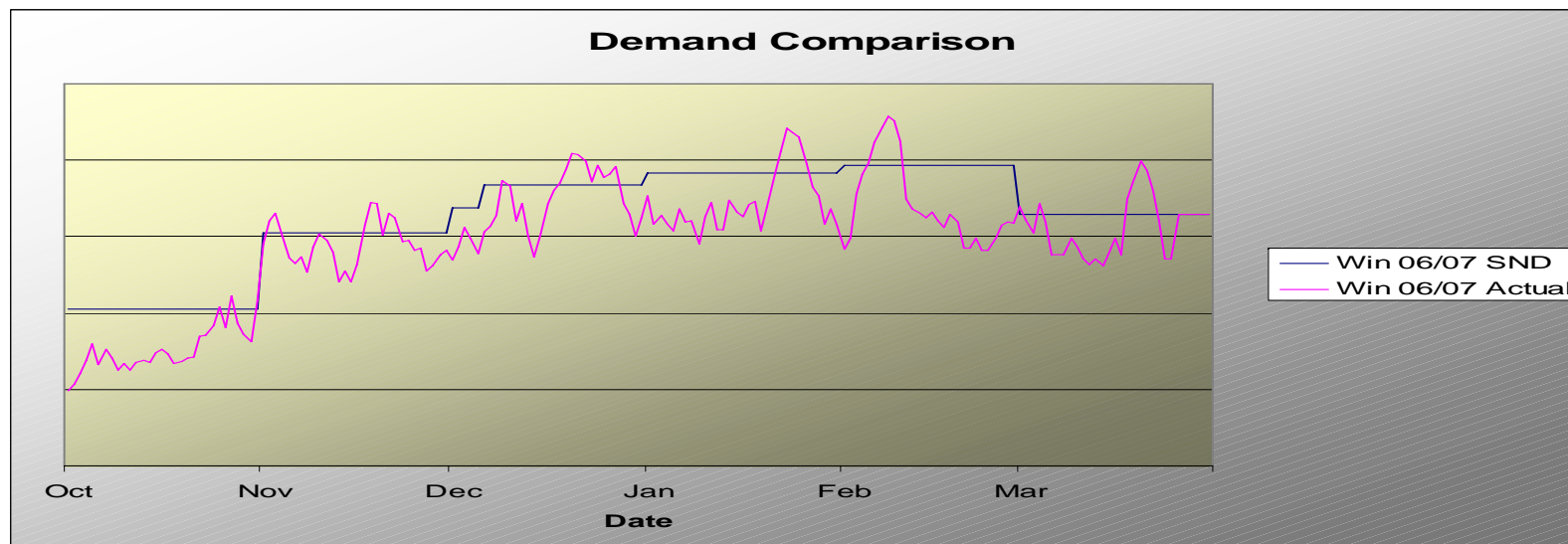
ScottishPower
Energy Wholesale

Storage Activity



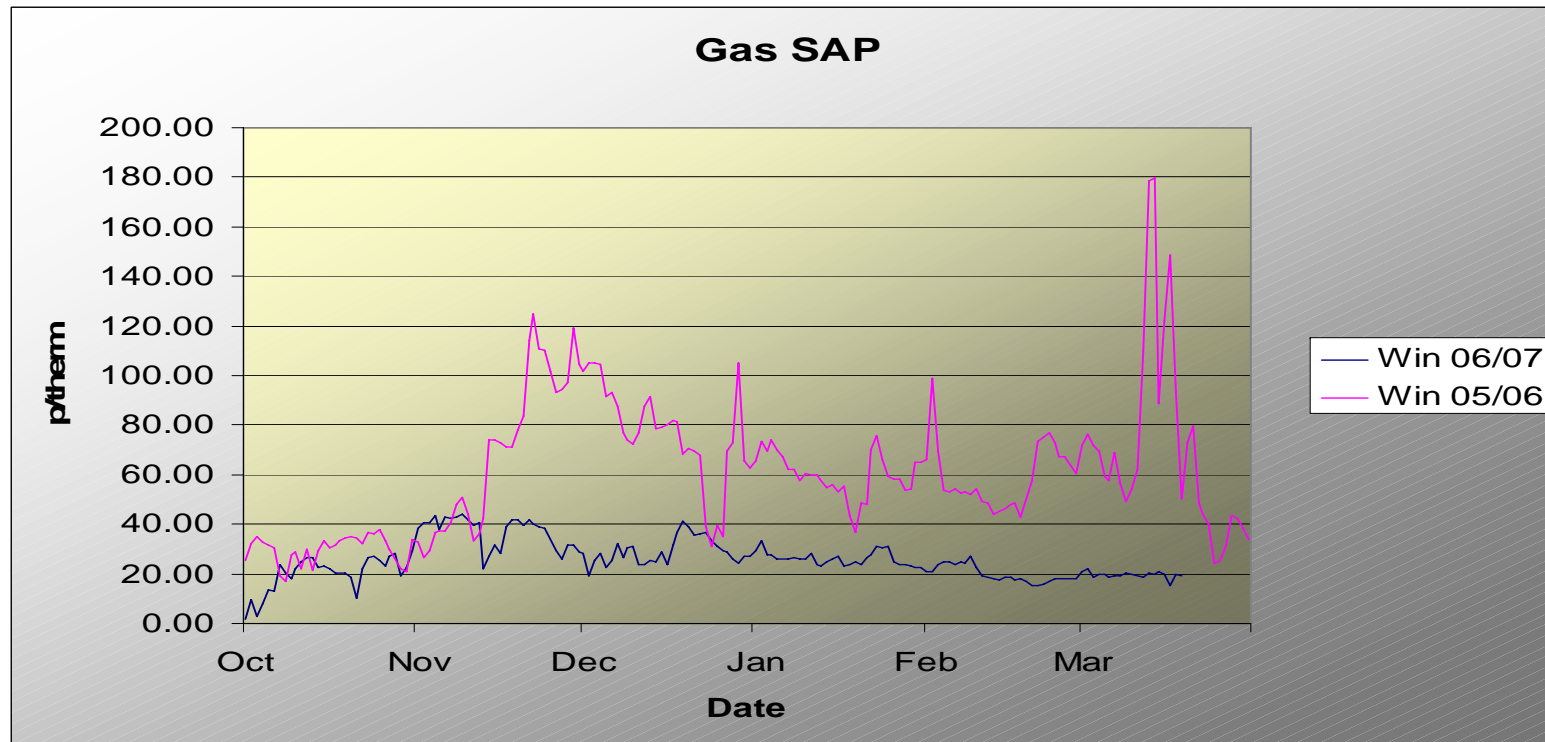
- Storage as small but significant % of overall demand
- Storage cycling – withdrawals and injections – not as frequent as last year
- Withdrawals at periods of high demand

Actual v SND Demand



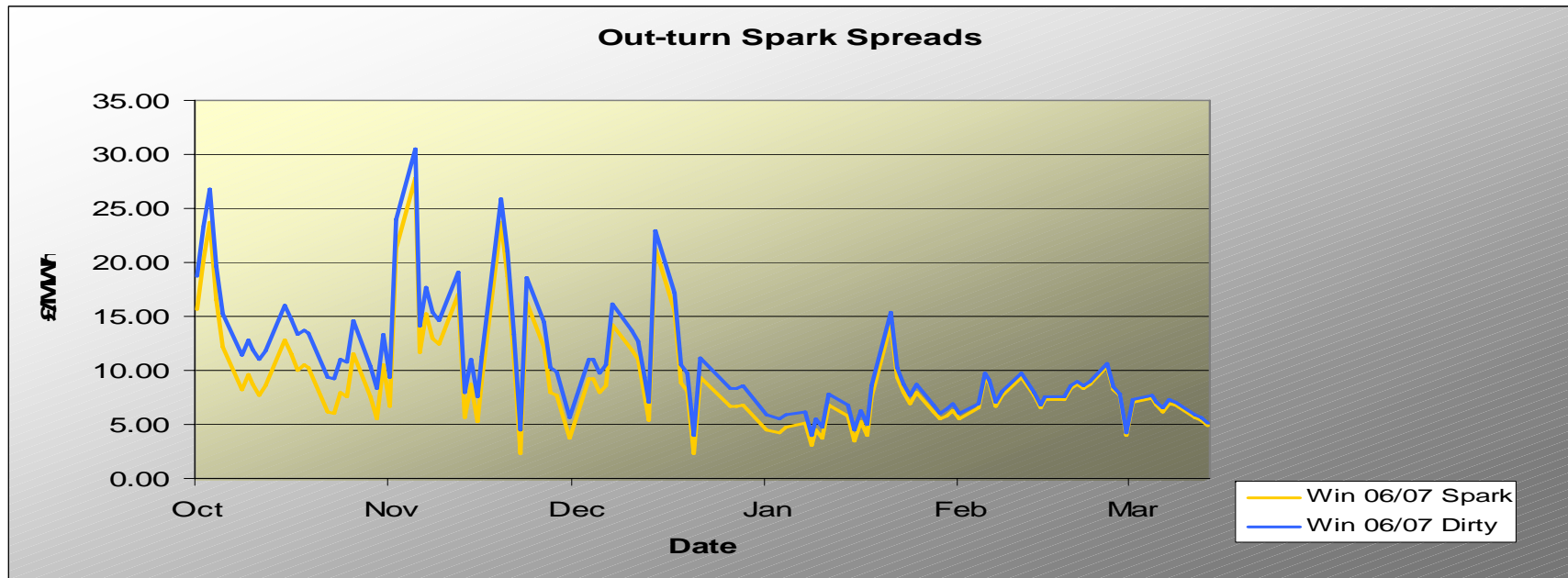
- Demand predominantly below SND for the portfolio for sustained periods, the opposite of last year
- Graph demonstrates volatility of demand
- This is despite record number of customers

Gas Price Comparisons



- Prices lower and less volatile than last year

Spark Spreads



- Last year, spark spreads were negative and highly volatile throughout the winter
- This year there were no negative spreads and since December a much lower level of volatility

Problems at Longannet

- 2nd largest power station in UK
- Conveyor collapse 21/1/07
- Emergency plans invoked
- Task Force established
- Alternative fuel sourcing
- Safety achievements
- Remarkable timescales achieved



ScottishPower
Energy Wholesale

Iberdrola

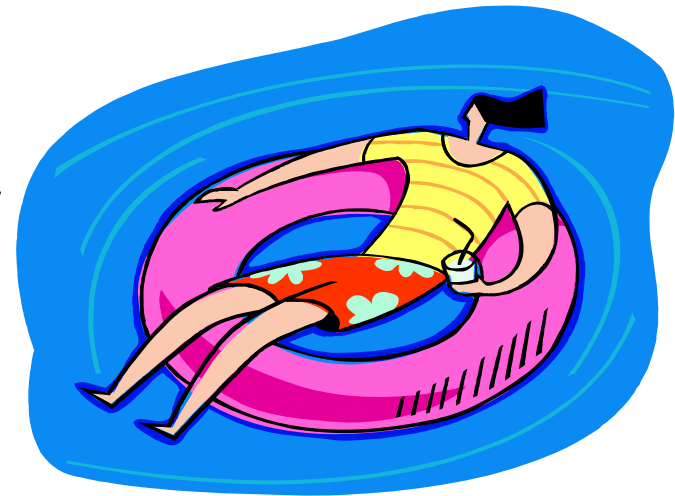
- Substantial press and communications
- Engagement with multiple stakeholders
- Now in a crucial phase as we seek shareholder approval
- Meetings on 30th March to determine the outcome



ScottishPower
Energy Wholesale

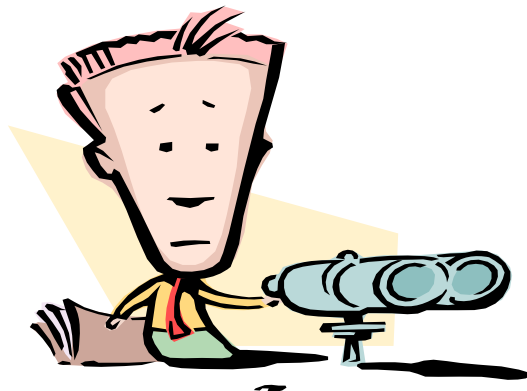
Summer 2007 Issues

- Pressure on Prices
- Mild start to summer
- Extent to which LNG is diverted
- Pipeline Issues – Ormen Lange/BBL
- Maintenance and potential entry constraints
- UK Storage full
- Regulatory/Trading Arrangements Changes
- Securing system access, especially renewables



Winter 2007/8 and Beyond

- Main concerns not seasonal
- Changing role/importance of gas storage
- Gas reserve requirement
- Further regime reform
- Gas quality changes - preparation
- European Market developments



ScottishPower
Energy Wholesale

Key Messages

- Generators are customers too and can provide a degree of flexibility for the system
- Little or no demand-side response required or incentivised this winter
- Scottish Power has had an eventful winter
- Large volume of proposed industry change – priority to engage
- Confidence in medium to long term on securing gas for portfolio
- Main priority is staying safe and securing the energy needs for our own portfolio