

# 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*



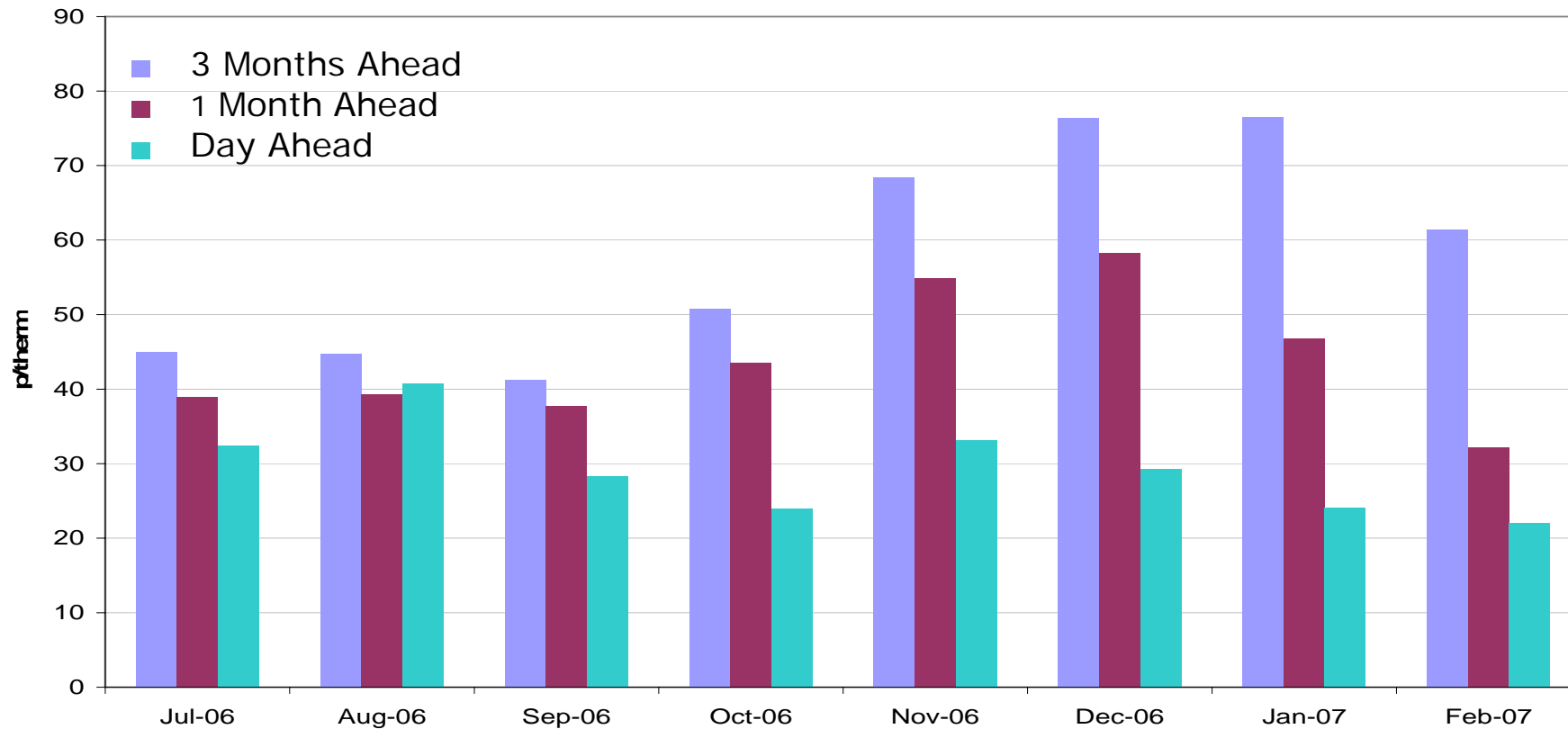
**More gas than expected arrived...**  
*...questions remain why?*



**Very mild GB + European winter ...**  
*...Did we get lucky?*



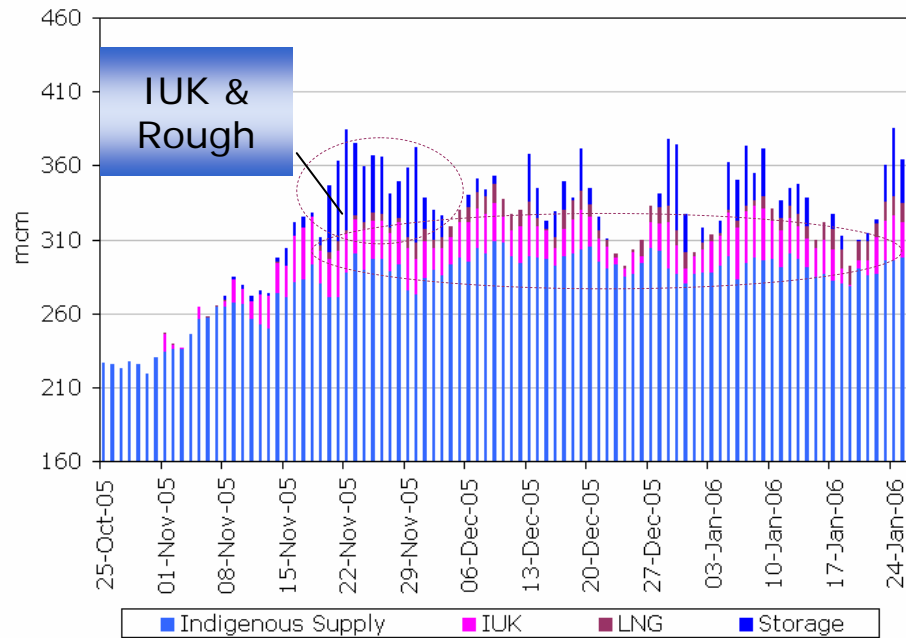
# Wholesale gas price response



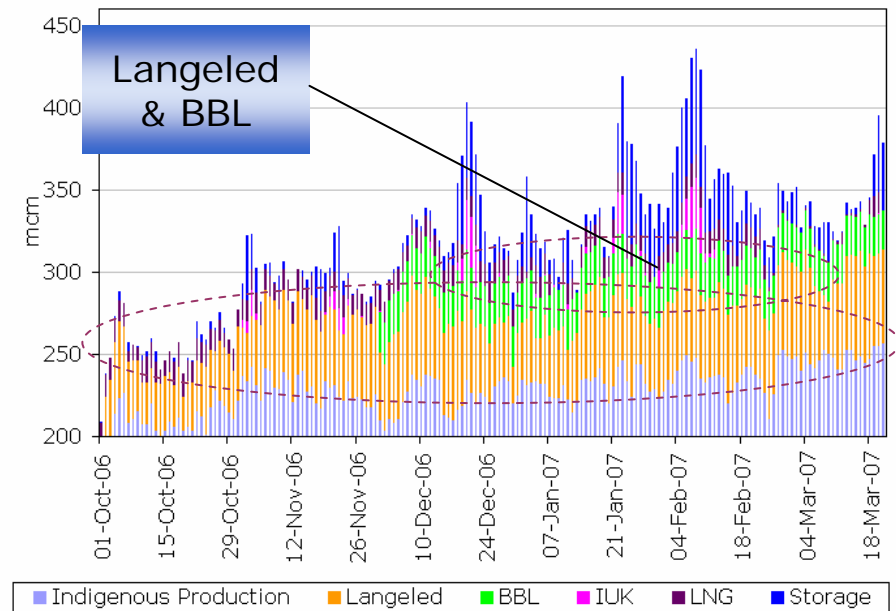
**Wholesale prices have collapsed - but some questions remain**

# New sources of supply delivered

Daily gas supply, Winter 05/06

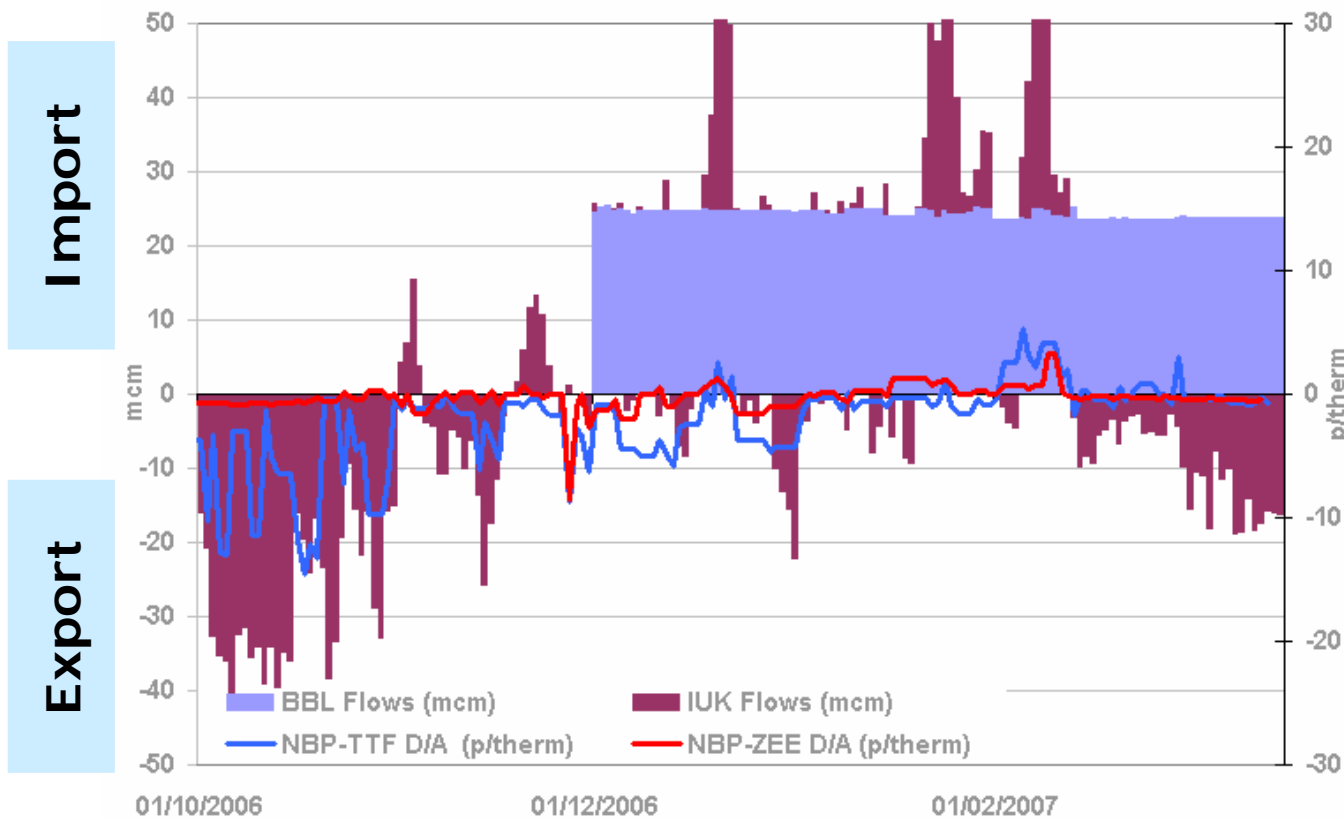


Daily gas supply, Winter 06/07



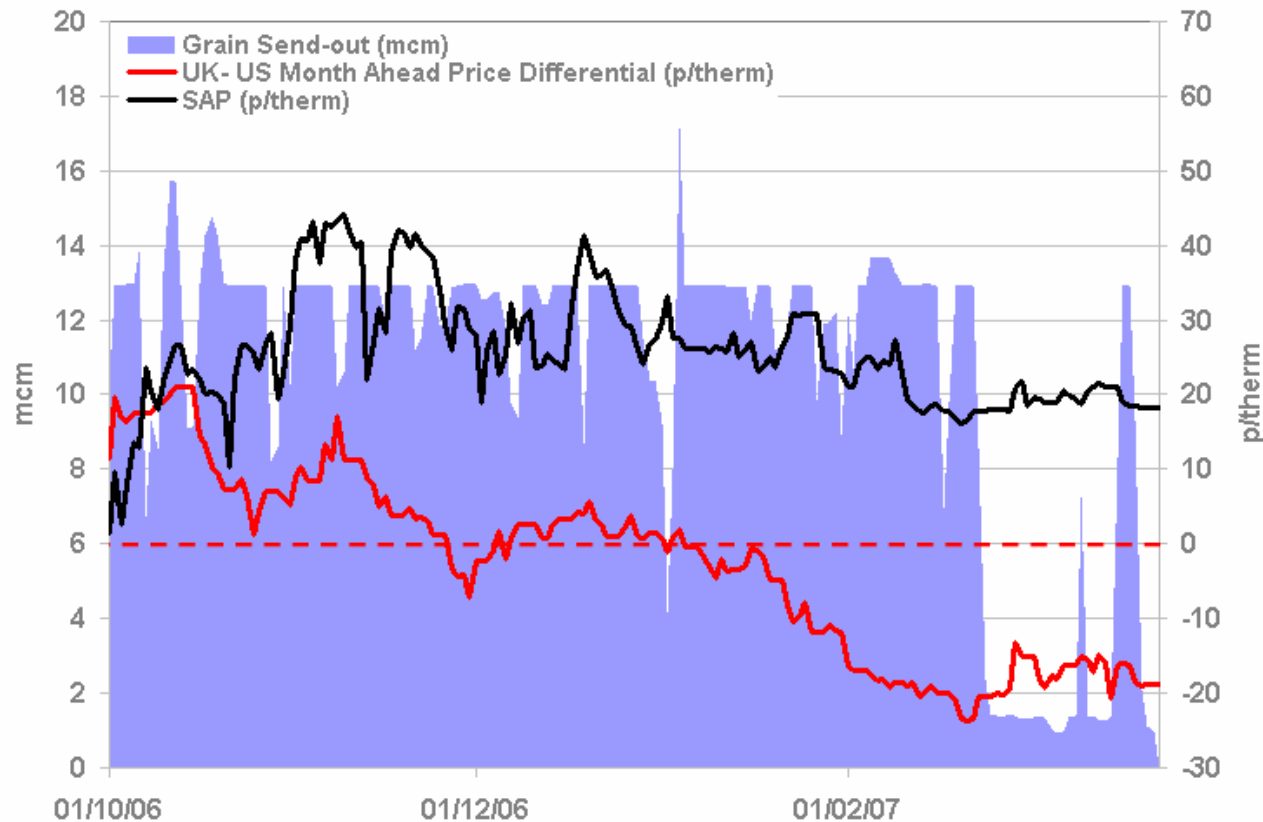
**Increased interaction with European/global markets**

# European gas flows



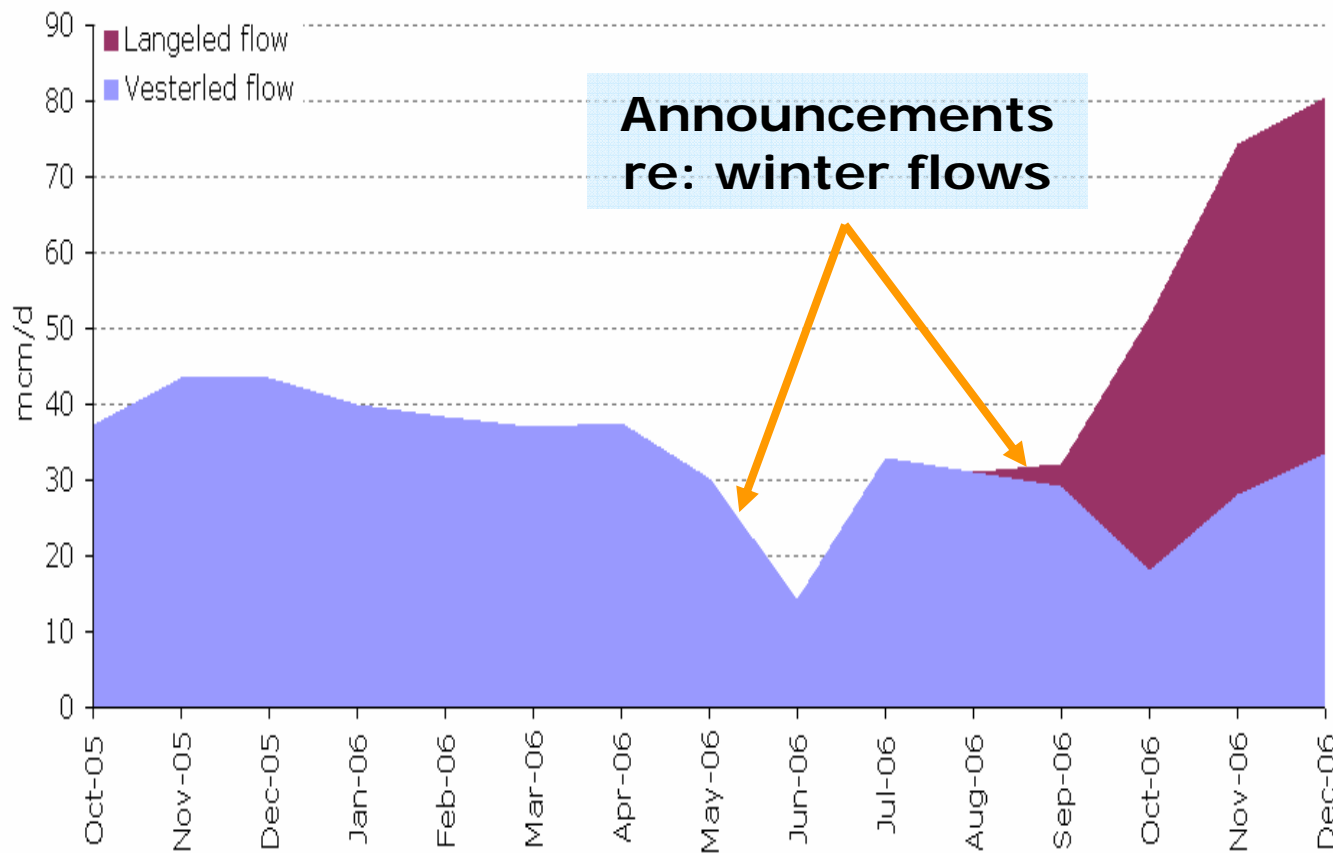
- BBL flowing flat ...
- ... but IUK more price responsive?
- Contractual flows?
- Reflects low European demand?

# 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?

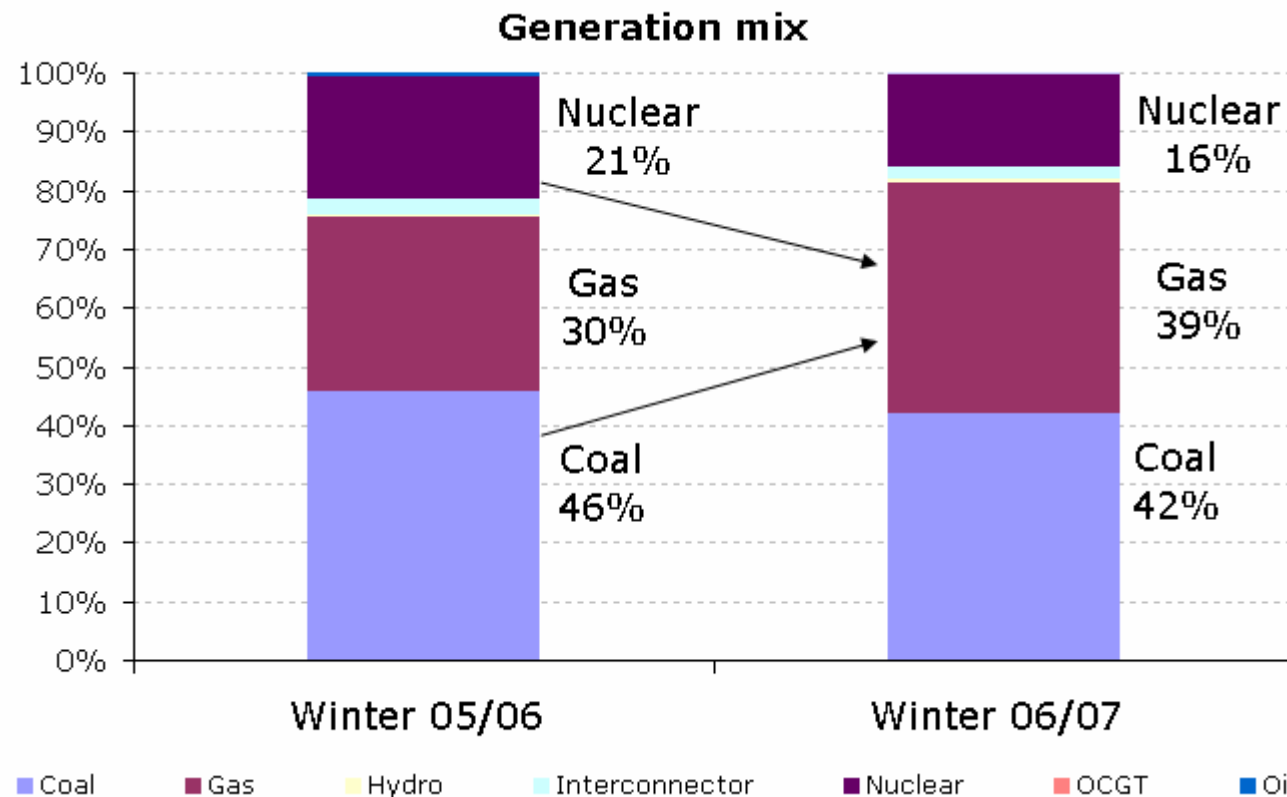


- Langeled – successful project delivery
- Supplies have far exceeded expectations for this winter
- ***Driven by EU demand?***
- ***Commissioning year?***
- Winter 07-08 – what will Ormen Lange bring?

The title "Wholesale electricity market" is centered within a white rounded rectangle with an orange border. The background of the slide is a blue-tinted image of electrical components, including a power plug and a meter, which is faded and serves as a backdrop for the text.

# Wholesale electricity market

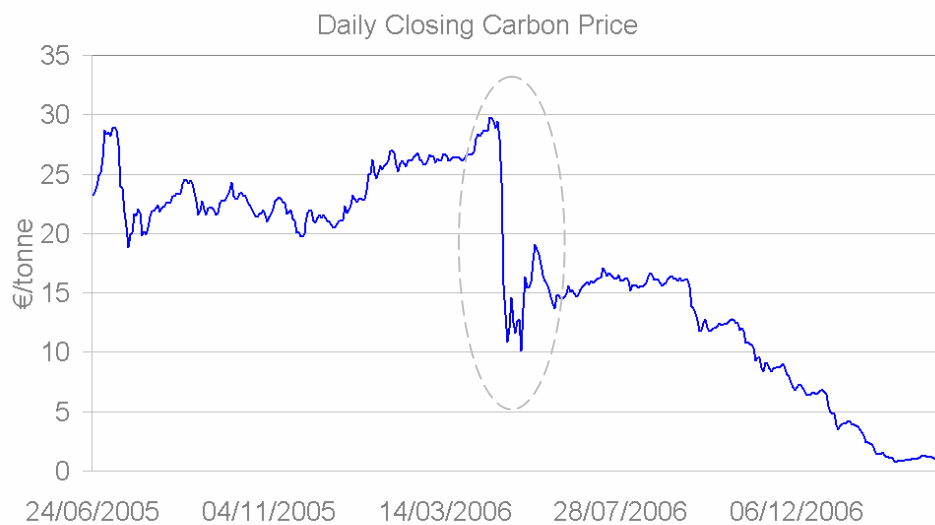
# Change in the generation mix



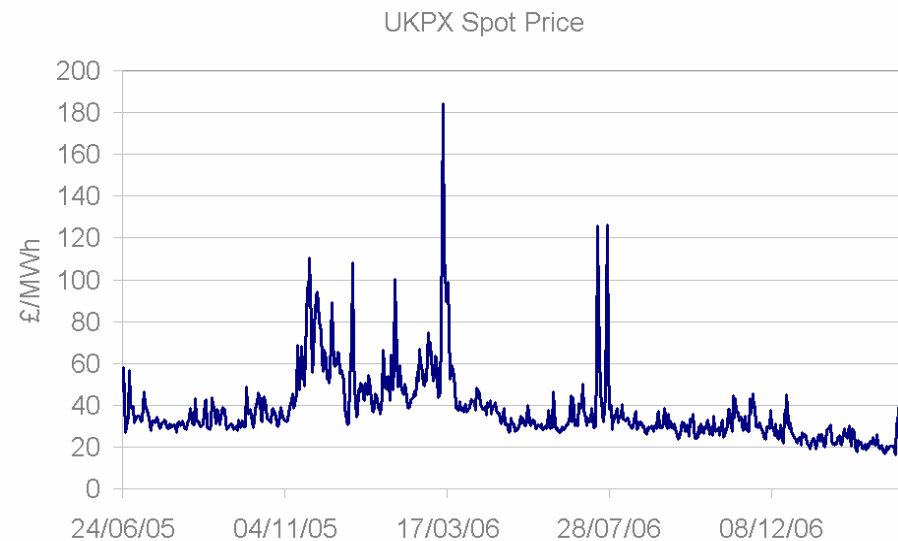
- Greater use of gas fired plant this winter
- Margin remained 'healthy' – despite issues with BE nuclear fleet
- Locational issues in Scotland – use of Longannet

# Wholesale electricity prices also down...

## Carbon



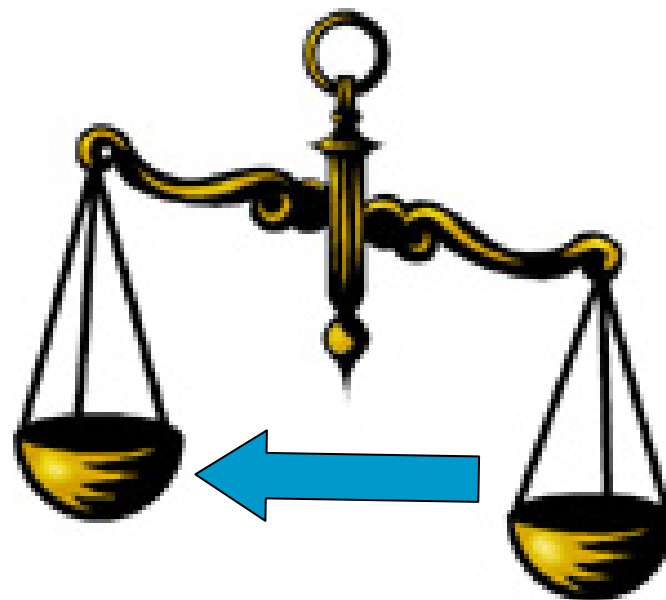
## Electricity Spot Price



➤ Collapsing gas and carbon spot prices have led to a collapse in power prices

## Looking ahead to winter 2007/08

Electricity

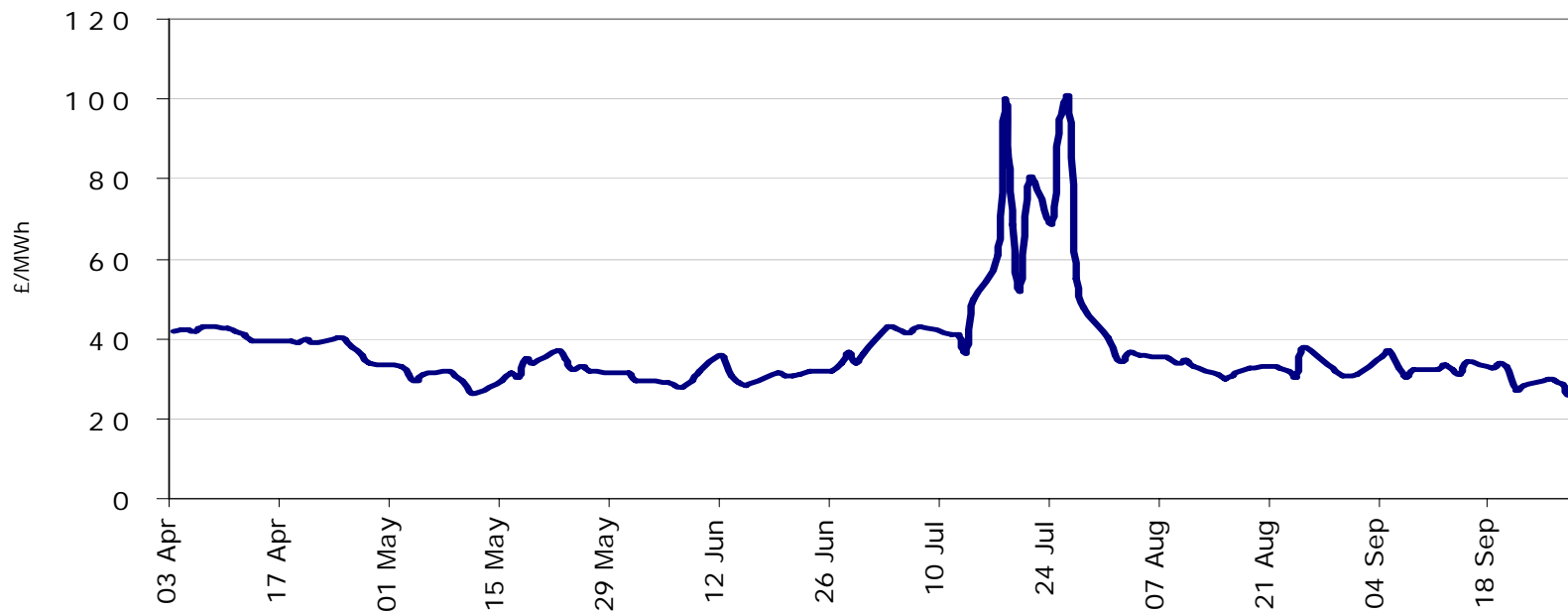


Gas

**Is the balance of risk shifting?**  
New challenges – markets are responding

## But first...are there lessons to learn from last summer?

Electricity day-ahead prices: Summer 2006



- 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

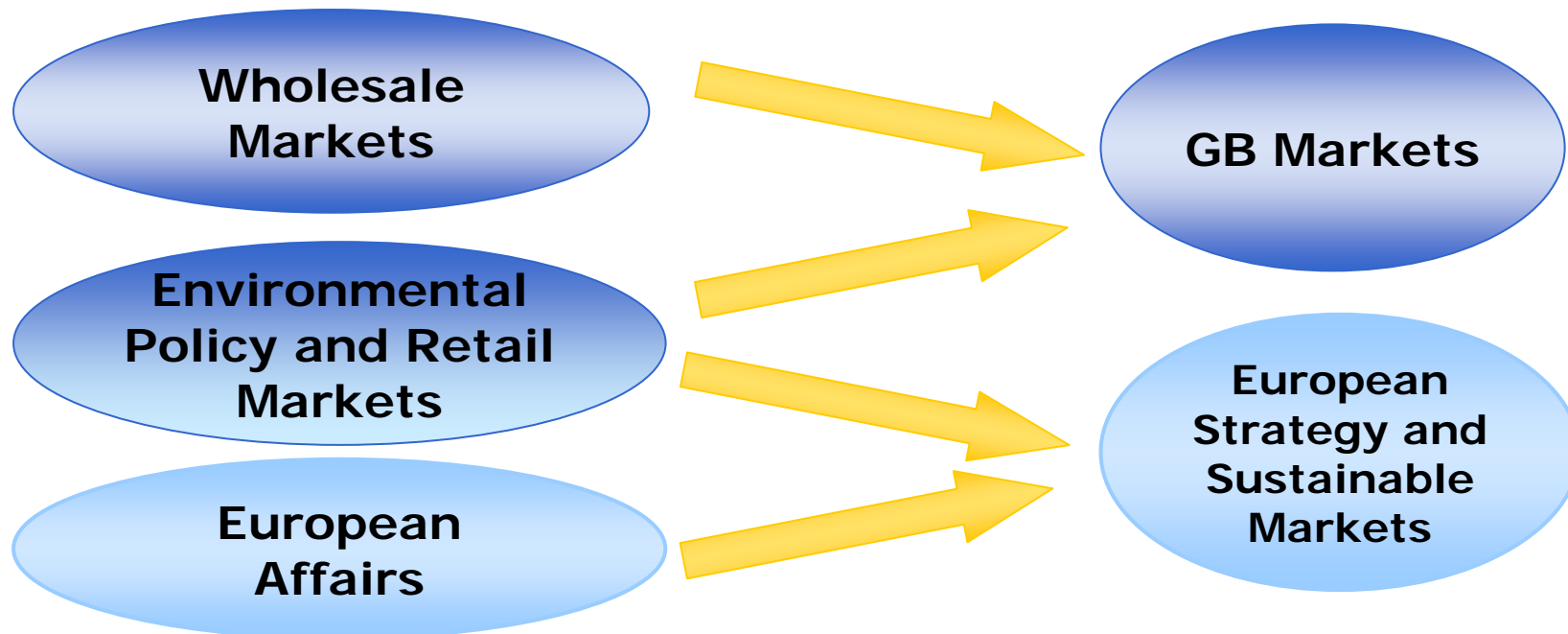
- How plausible against difficult demand conditions?

## 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**

A large, central ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on an orange rounded rectangular background. The background of the slide is a faded, blue-tinted image of a gas meter and electrical components.

# Promoting choice and value for all gas and electricity customers