

Winter 2006/7 and Beyond

A Generator's Perspective



Steve Gordon
March 2007

ScottishPower
Energy Wholesale

SP Winter Response Team



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Hoping for Sunnier Times Ahead!!

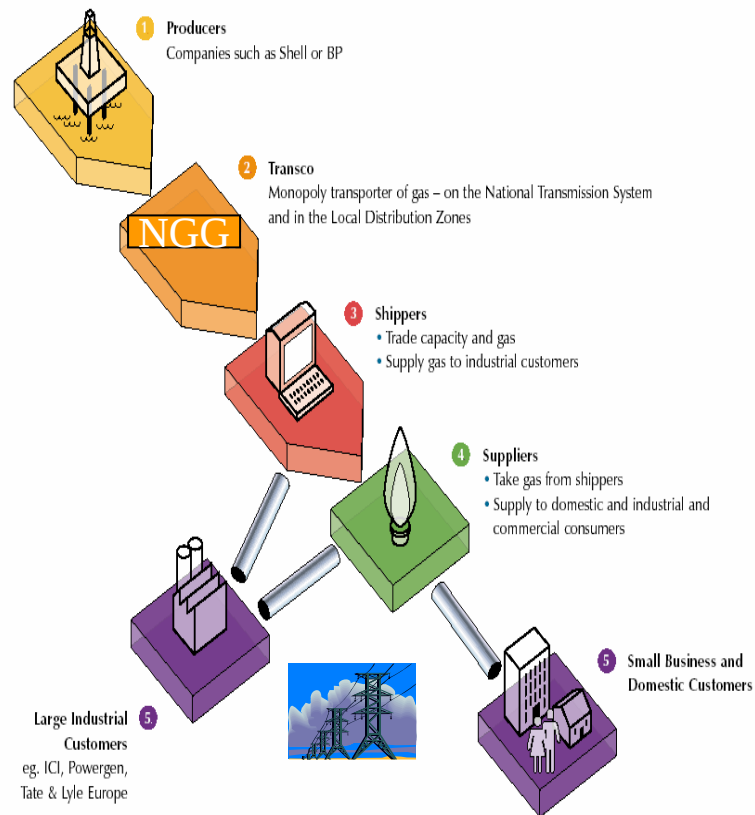


.....when the gas comes in!

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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



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SP has a flexible portfolio



Coal

CCGT

Storage



CHP

Wind

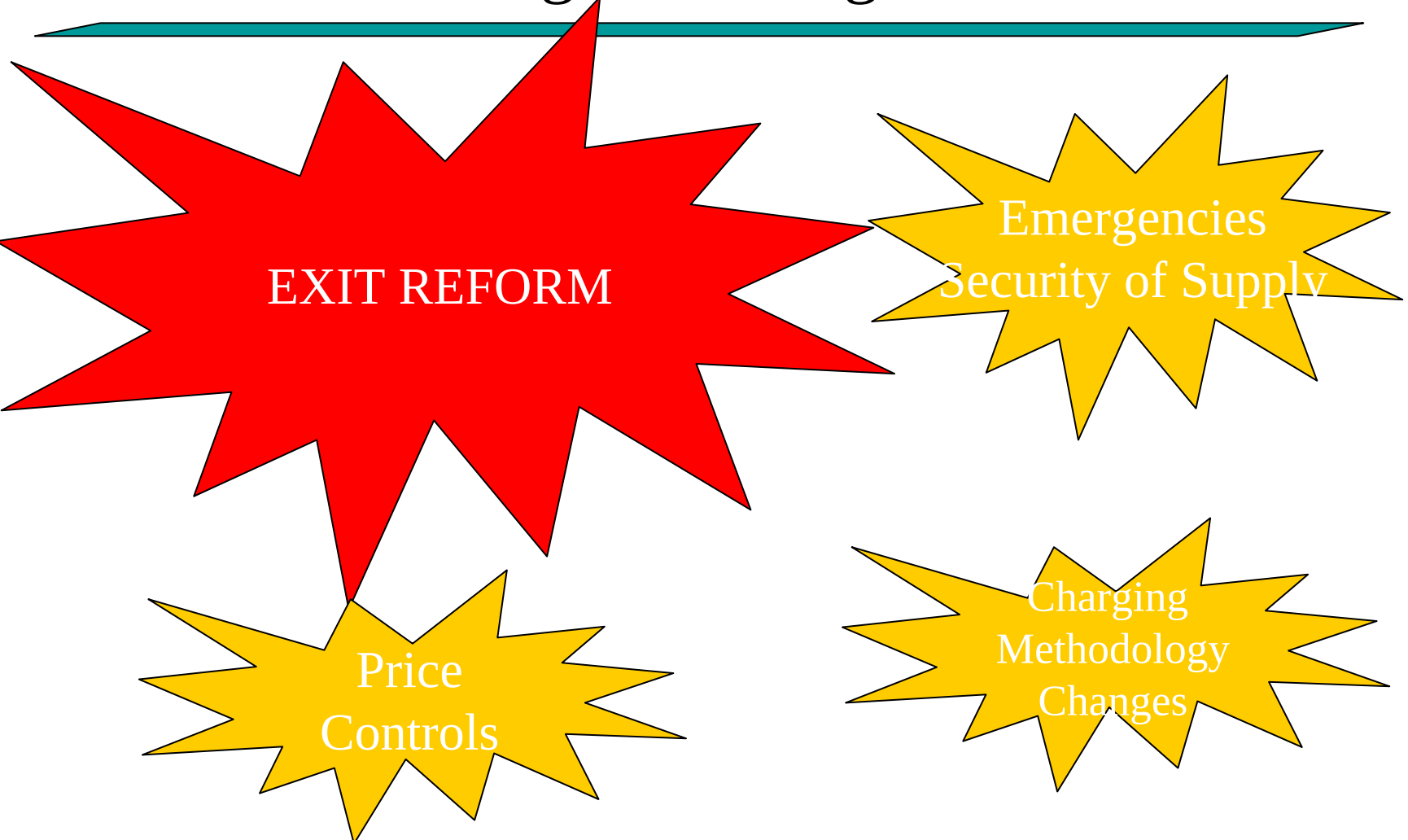
Hydro

Pumped Storage



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Regime Change



EXIT REFORM

Emergencies
Security of Supply

Price
Controls

Charging
Methodology
Changes

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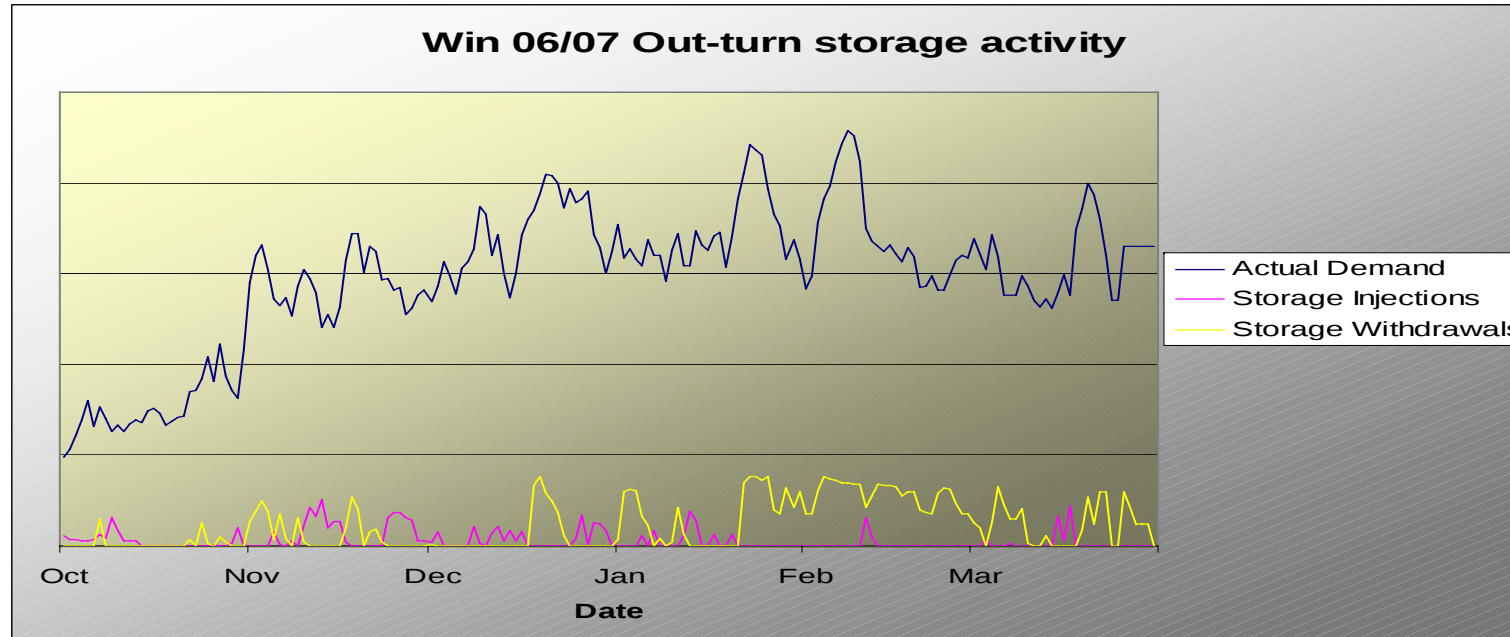
Issues for SP this Winter

- 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



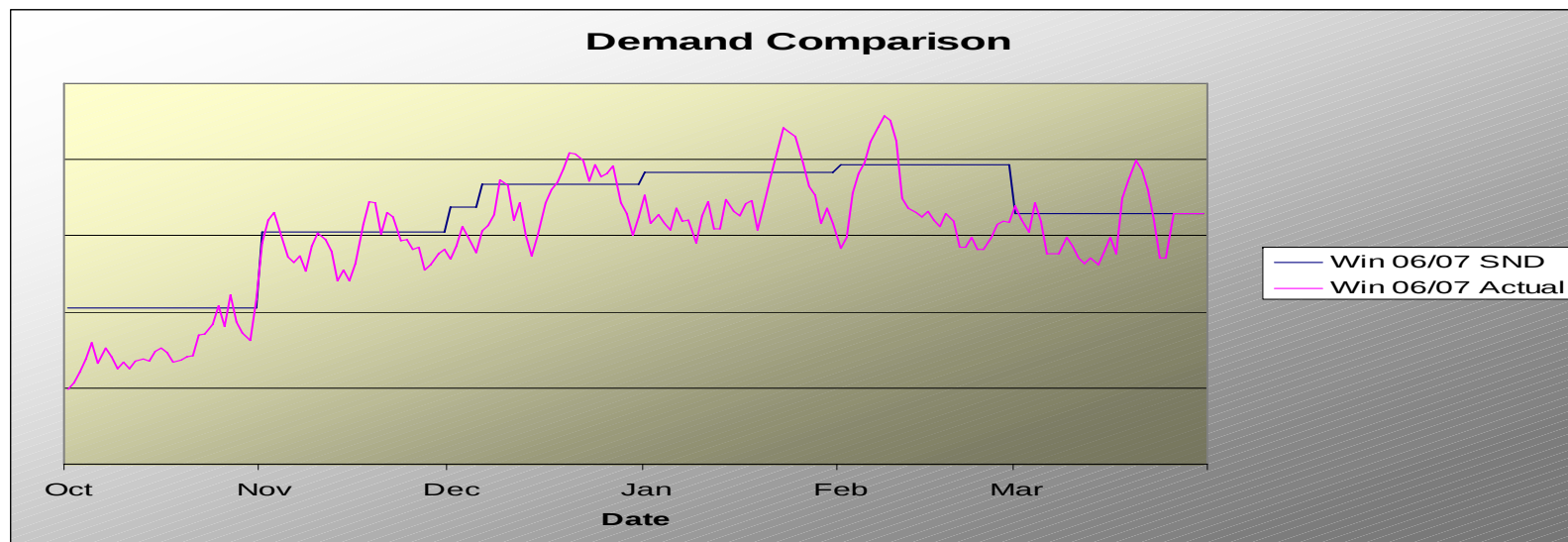
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Storage Activity



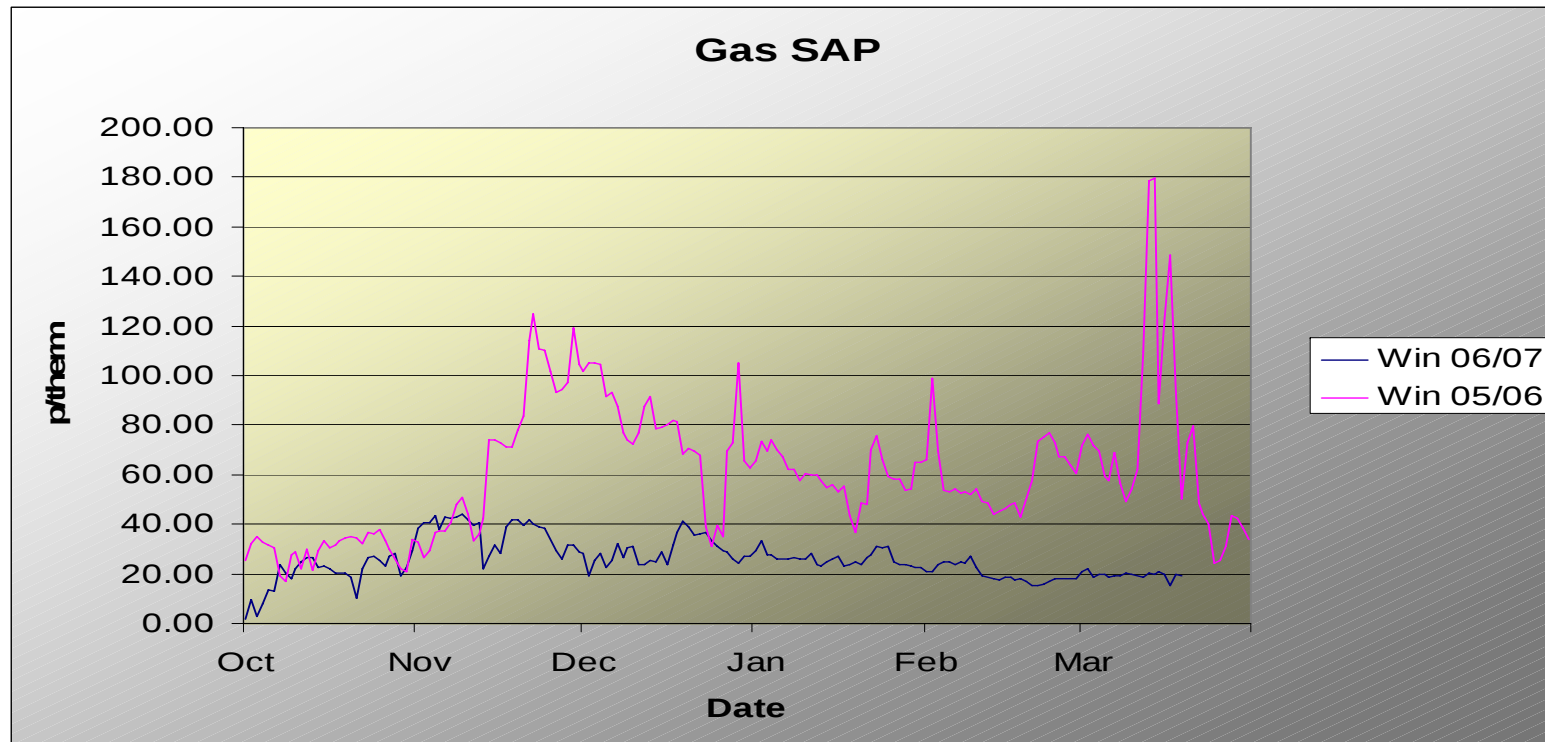
- Storage as small but significant % of overall demand
- Storage cycling – withdrawals and injections – not as frequent as last year
- Withdrawals at periods of high demand

Actual v SND Demand



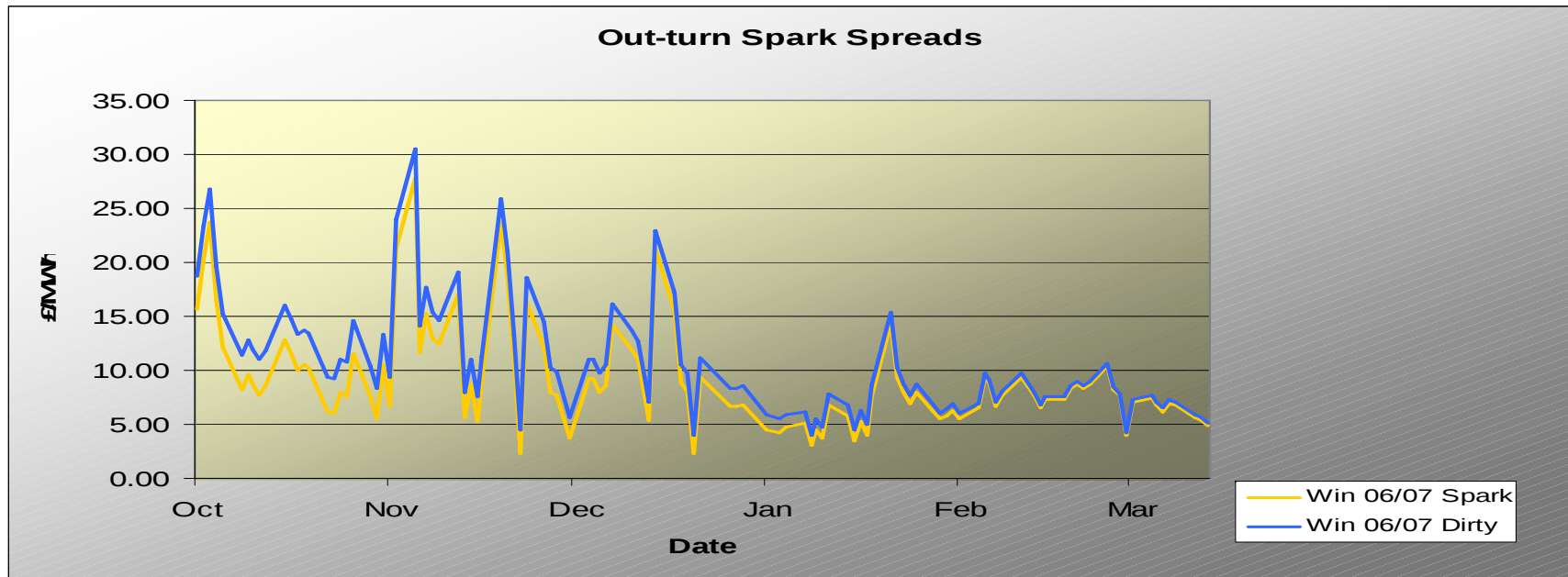
- Demand predominantly below SND for the portfolio for sustained periods, the opposite of last year
- Graph demonstrates volatility of demand
- This is despite record number of customers

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



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Iberdrola

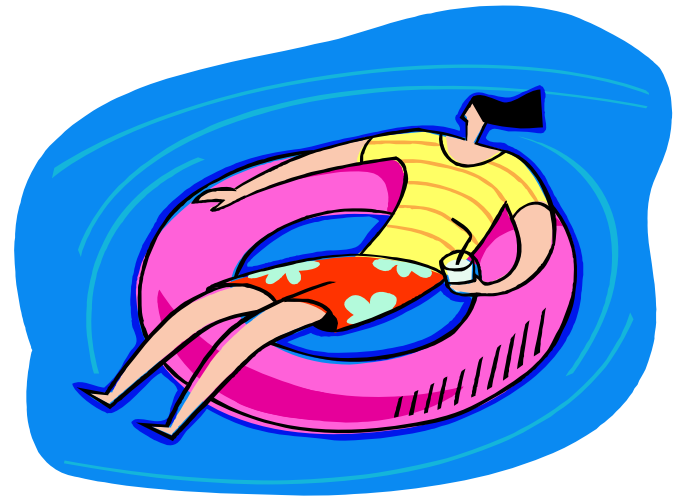
- Substantial press and communications
- Engagement with multiple stakeholders
- Now in a crucial phase as we seek shareholder approval
- Meetings on 30th March to determine the outcome



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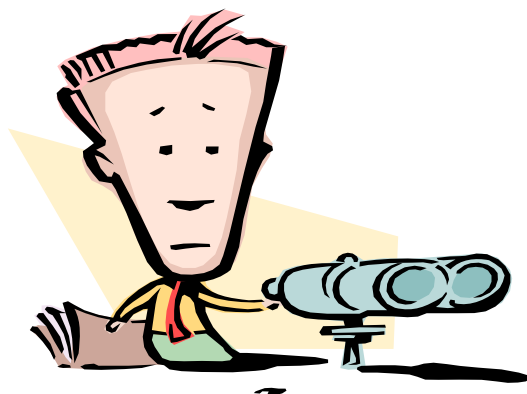
Summer 2007 Issues

- 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



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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