Winter Consultation 2007/8
June Update

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Growing capability – Increasing uncertainty

- **Looking Back – Winter 2006/7**
  - New infrastructure
  - Mild winter – market not tested
  - Low prices
  - Declining demand

- **Looking Forward – Winter 2007/8**
  - Further infrastructure investments
  - European market interaction
  - LNG – a world market
  - Do pipes mean gas?
  - Will demand bounce back?
  - Weather

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UKCS Forecast

Peak (mcm/d)	2006/7		2007/8	
	Forecast	Highest	Initial View (March)	**Revised View**
Bacton	75	55	67	**74**
Barrow	24	25	23	**22**
Easington	16	15	15	**13**
Point of Ayr	2	4	2	**2**
St Fergus	94	95	89	**89**
Teesside	30	35	28	**26**
Theddlethorpe	26	28	26	**26**
Total	**267**	**257**	**249**	**252**

- 2006/7 UKCS supplies inline with forecast (except for low flows from high swing fields at Bacton and Barrow
- 14 mcm/d of new fields included in 2007/8 forecast
- 90% supply availability used for operational planning (227 mcm/d)

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Imports (1)

- IUK
  - Further expansion planned to 74 mcm/d
  - Expected to operate as marginal source of supply, following price differentials
  - Expected to have higher import potential post December
- BBL
  - Expected to flow at near uniform 25 mcm/d to satisfy Centrica contract (3 bcm summer, 5 bcm winter)
- Norway
  - Ormen Lange still reported to be on schedule for October delivery
  - High volumes expected through Langeled & Vesterled with low volumes through newly completed Tampen Link
  - Langeled imports assumed at 45 mcm/d to enable near full volumes from Rough. Higher volumes may impact other Easington deliveries

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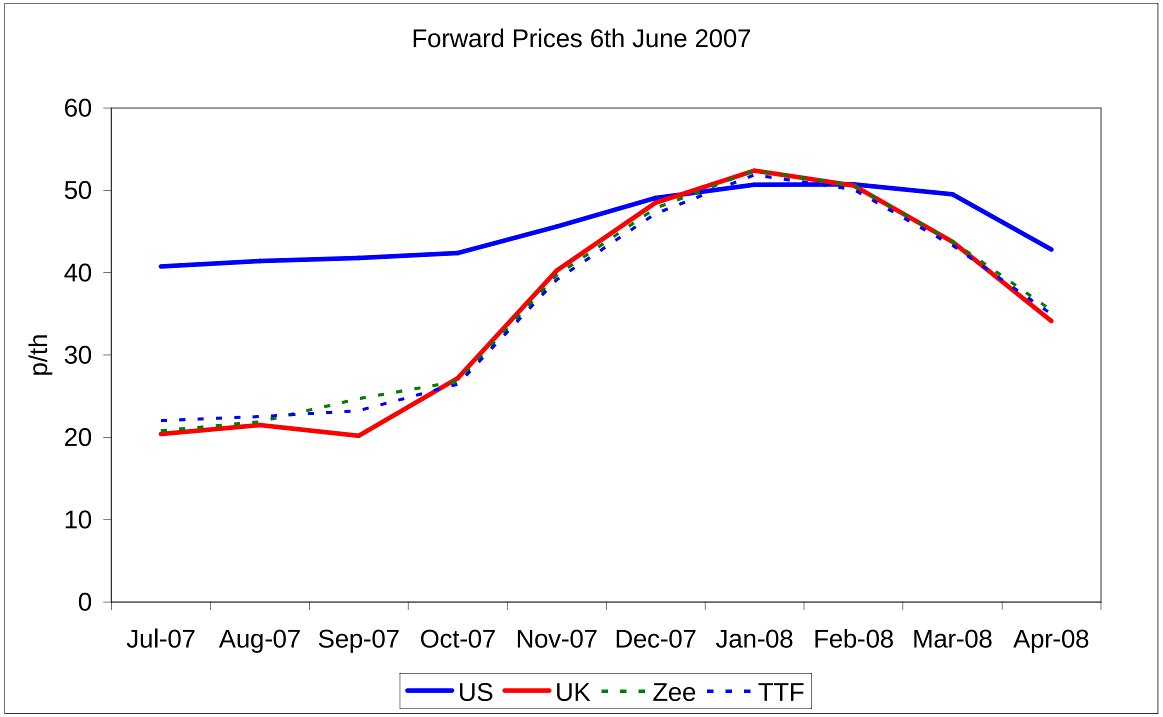
Imports (2)

- LNG
  - New deliveries expected this winter from Milford Haven
  - Dragon expected Q4 2007
  - South Hook expected Q2 2008, hence excluded from forecasts
  - Grain expected to operate as in 2006/7
  - Due to lower gas price, Teessport not expected to operate at base load
  - All LNG is subject to risk of cargo diversion to US and other markets



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Non-Storage Supplies

	2006/7 Base Case	2007/8 Max Capacity	2007/8 Initial View	2007/8 Revised View
UKCS	240	252	224	227
Norway	48	104	70	70
IUK	36	74	37	37
BBL	14	41	25	25
LNG	13	69	46	33
Total	**350**	**546**	**402**	**392**

•Whilst latest view for 2007/8 suggest much higher non-storage supplies than for last winter, considerable supply uncertainty exists:

• UKCS – lower supply availability, no flow from high swing supplies

•Norway – Ormen Lange delayed, higher flows to Continent

•IUK – exports due to well supplied UK

•BBL – lower flows due to renegotiated contract with Centrica or virtual exports

•LNG – commissioning or NTS delays, diverted cargoes

•Besides down side risk there is also upside possibilities for all sources

•**For assessment consider a +/- 30 mcm/d supply range**

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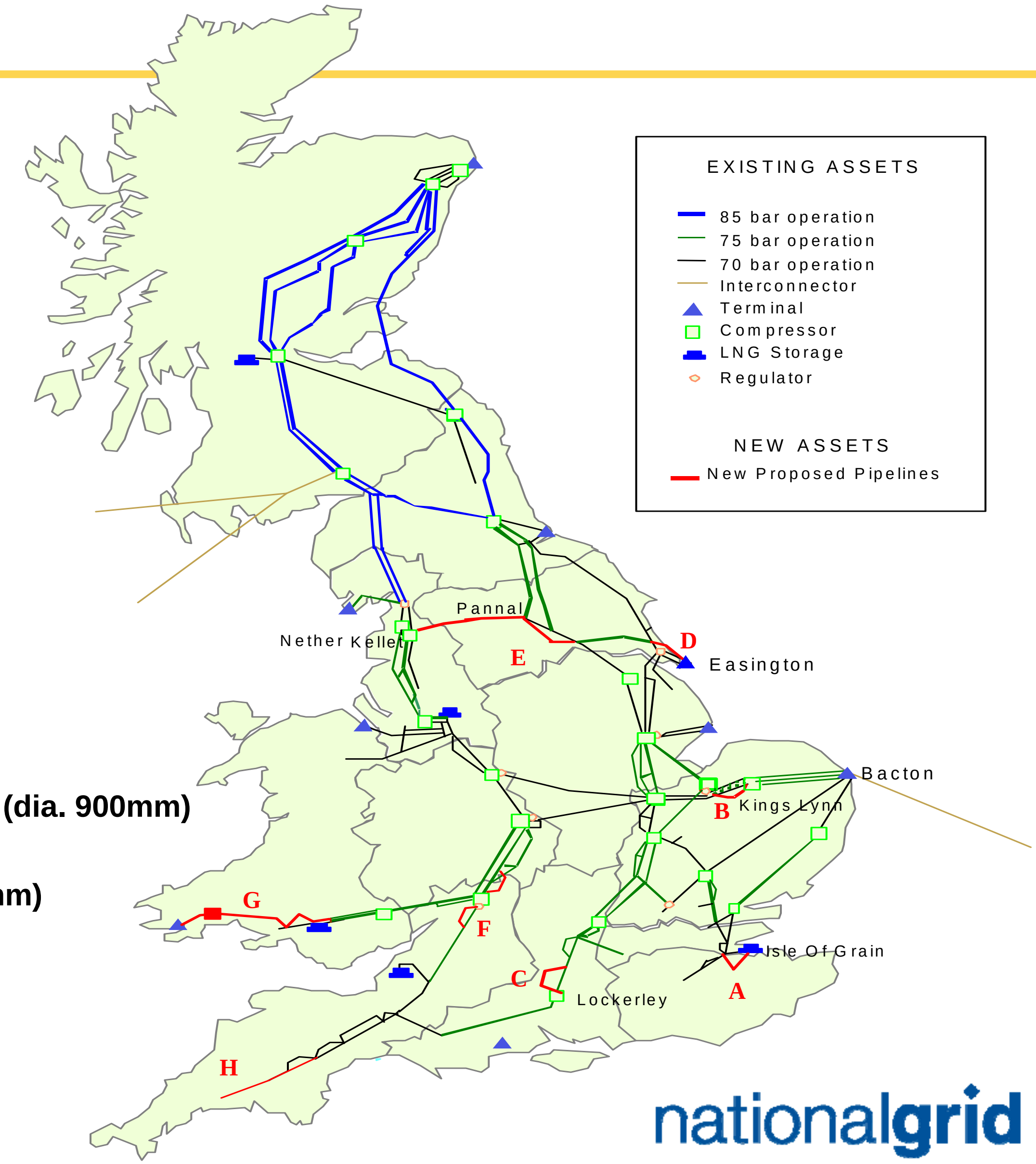
Storage

- For next winter we anticipate higher storage availability through:
  - Hole House Farm – increased deliverability
  - Aldbrough – new salt cavity storage, phased build-up of capacity expected

Transportation Issues

- Supply Pattern
- Trade & Transfer
- Easington
- Milford Haven



A Isle of Grain to Shorne to Gravesend pipeline (dia. 900mm)
B Kings Lynn to Wisbech pipeline (dia.1200mm)
C Barton Stacey to Lockerley pipeline (dia. 900mm)
D Easington to Ganstead pipeline (dia.1200mm)
E Asselby to Pannal pipeline (dia.1200mm)
F Wormington to Sapperton (dia 900mm)
G Milford Haven to Tirley (dia 1200mm)
H South West Reinforcement Projects (600mm)

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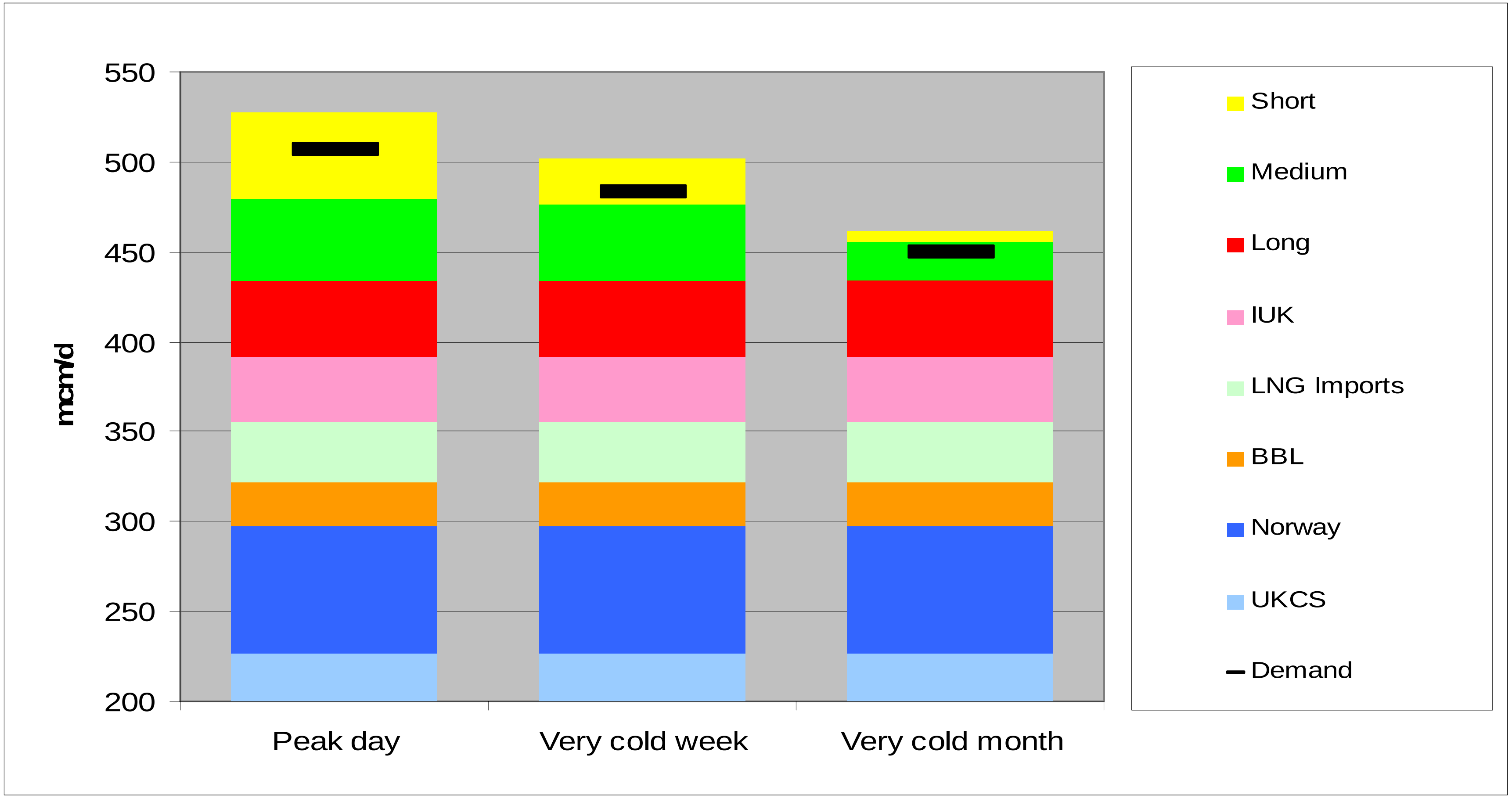
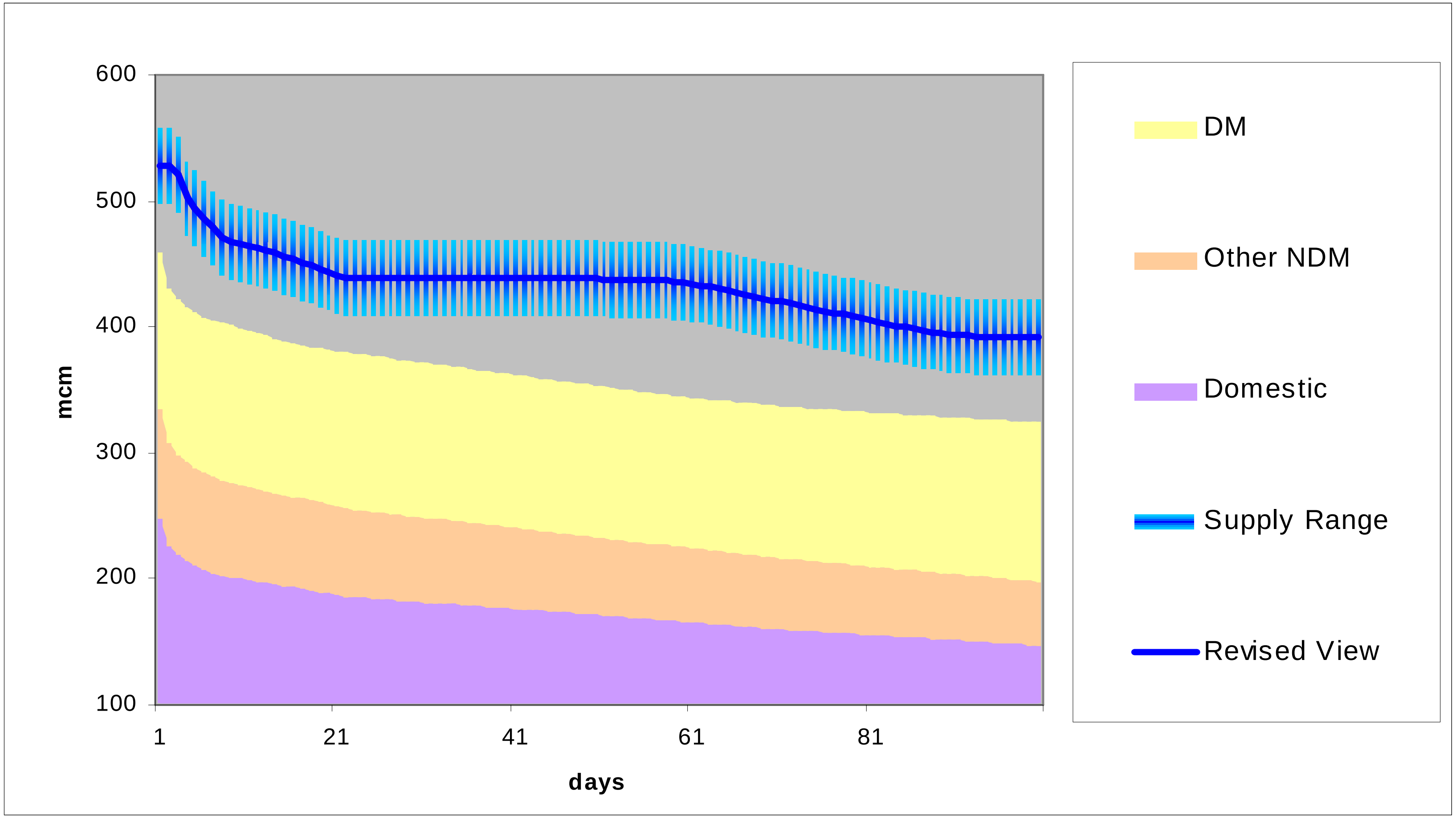
Balance - Peak Periods



Demand-Supply Balance - average winter



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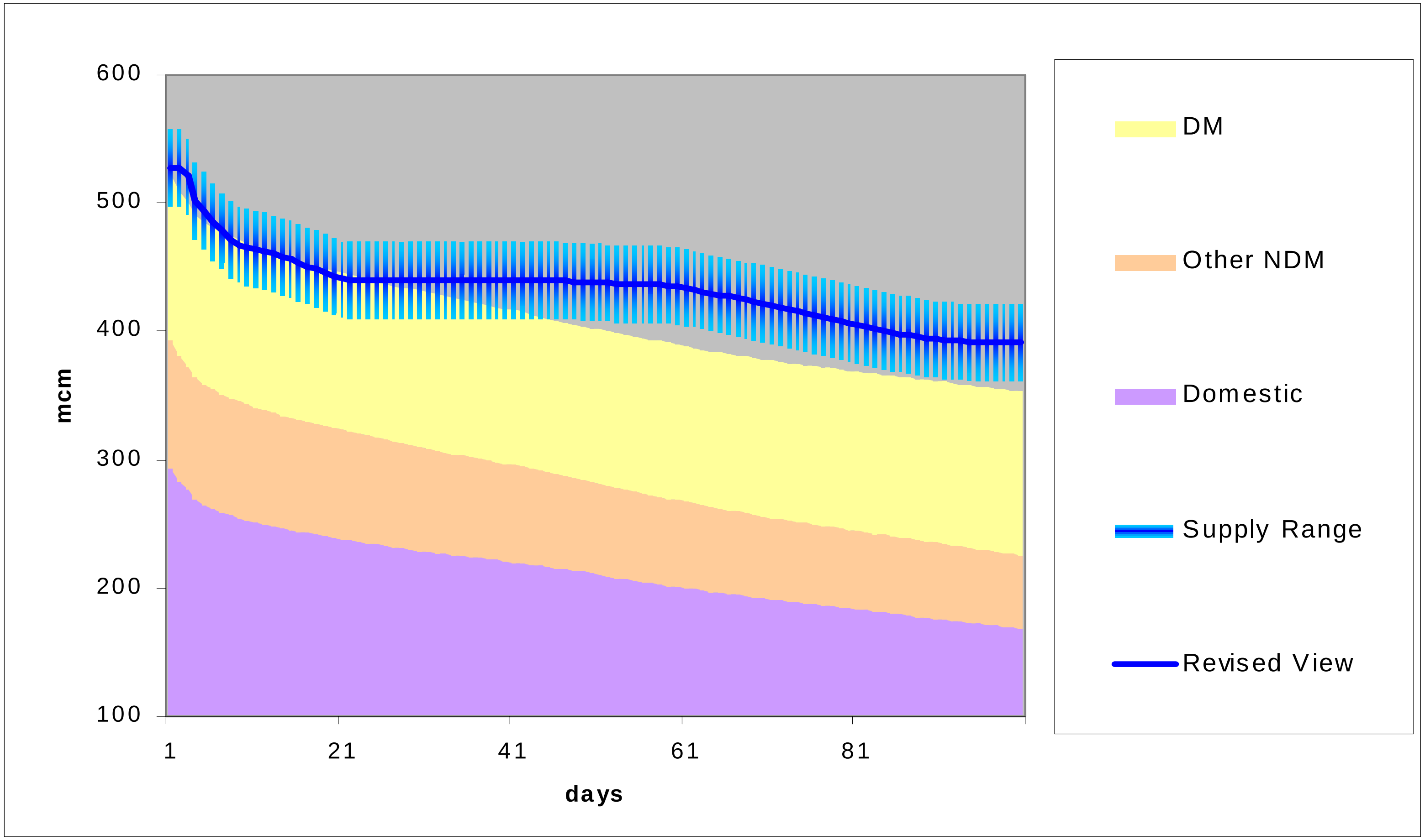
Demand-Supply Balance - 1:50 winter



Demand Turndown Requirements

- **Improved gas demand-supply balance has reduced the requirement for demand side response from what we assumed necessary last winter.**
  - With increasing import dependency the swing in gas consumption by CCGT stations continues to be key in achieving gas supply/demand balance.
  - Little or no need for other large users to provide a demand response under most conditions.
  - There will be a need for other users to provide a significant response at times of both cold weather and a low gas supply scenario.

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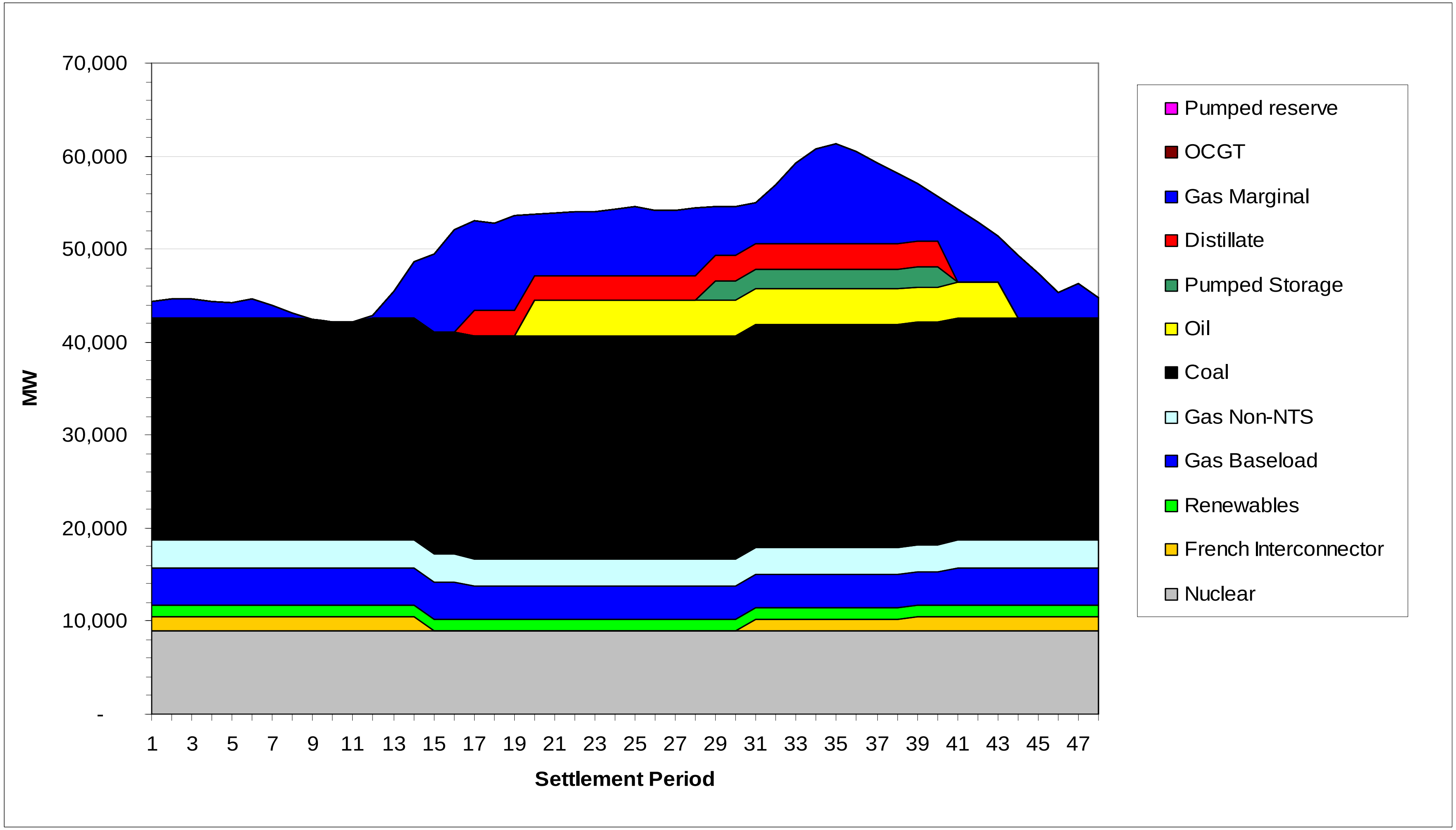
Initial Assumptions - electricity

- 0.7 GW new renewables in Scotland
- No new large stations in E&W
- Reduced output at Hinkley Point and Hunterston
- No demand growth – forecast peak 60.8GW
- Plant margin 24%
- Assuming 30% wind, margin is 22%
- LCPD – 1 January 2008 – no material impact
- No short-term mothballed plant

Merit Order 07/08 – Electricity



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Summary 2007/8

- **Demand-Supply Balance Improved**
- **Uncertainties:**
  - Weather
  - Will demand bounce back?
  - Further infrastructure investments
  - European market interaction – electricity and gas
  - Do pipes mean gas?
  - LNG – a world market
- **Can't afford to be complacent**
- **Feedback by 3 August 2007**

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