



Promoting choice and value
for all gas and electricity customers

Summer Outlook

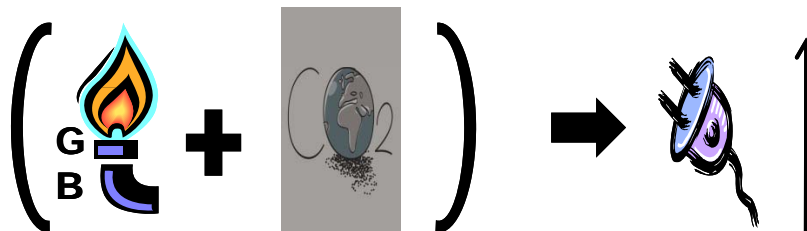
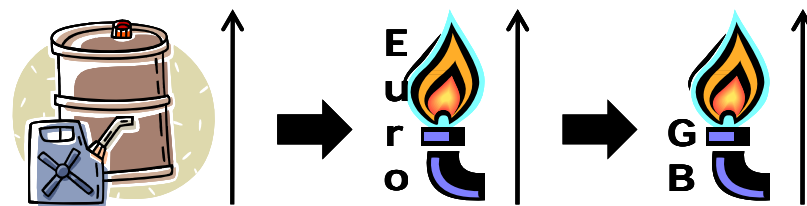
Andrew Wright
Managing Director: Markets

30 April 2008

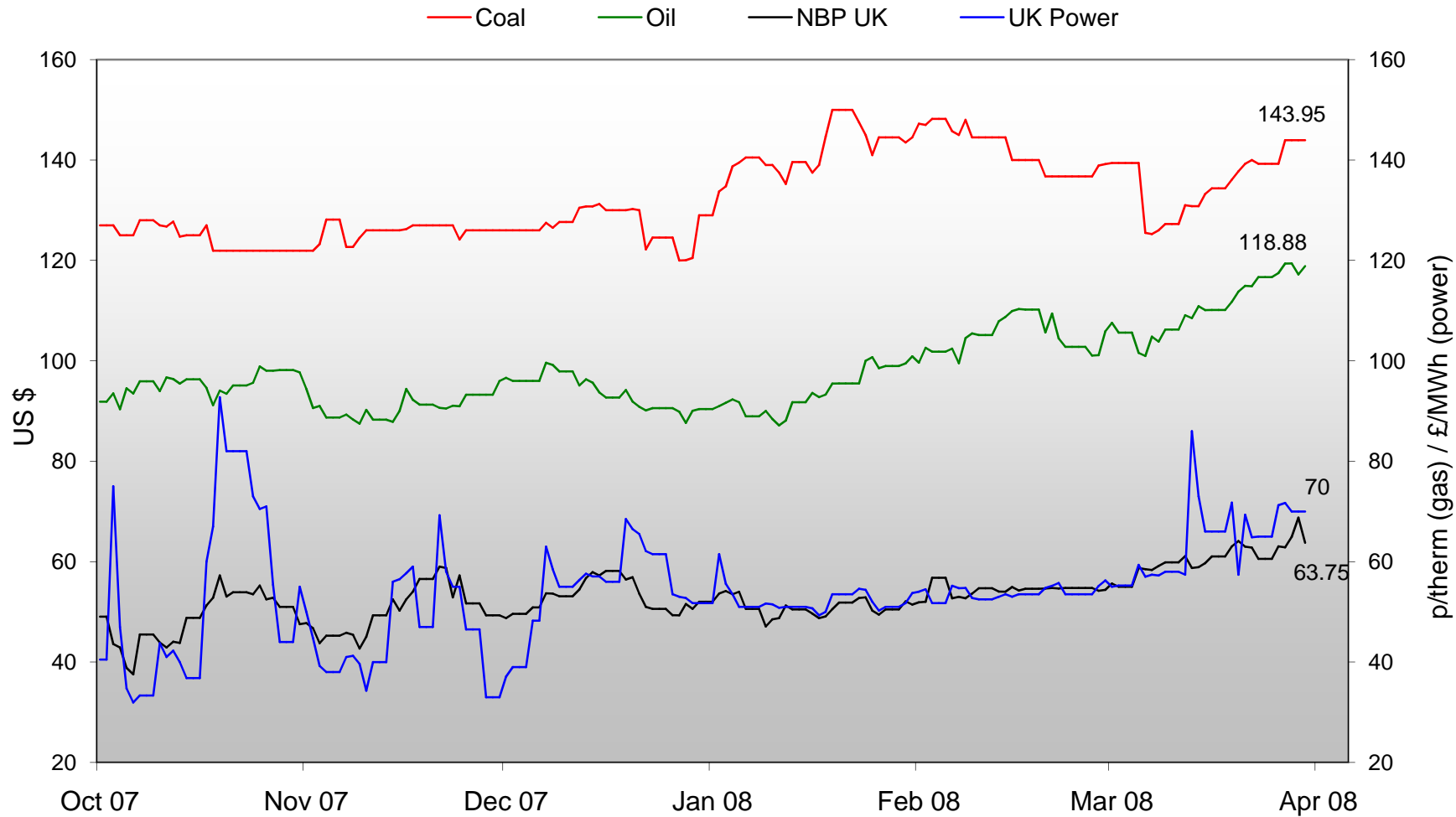
Headlines

- **Demand & Supply outlook in comfortable**
- **Prices expected to remain higher/go higher**
 - Strong oil price driving gas prices, via euro oil indexed contracts
 - Strong gas and coal prices driving electricity prices
 - Power mix: coal, gas & carbon balance
- **Nature of summer risks:**
 - Aircon/LCPD
 - Possible increased price volatility due to work on Scottish constraints

Oil, Gas, Electricity & Carbon interaction



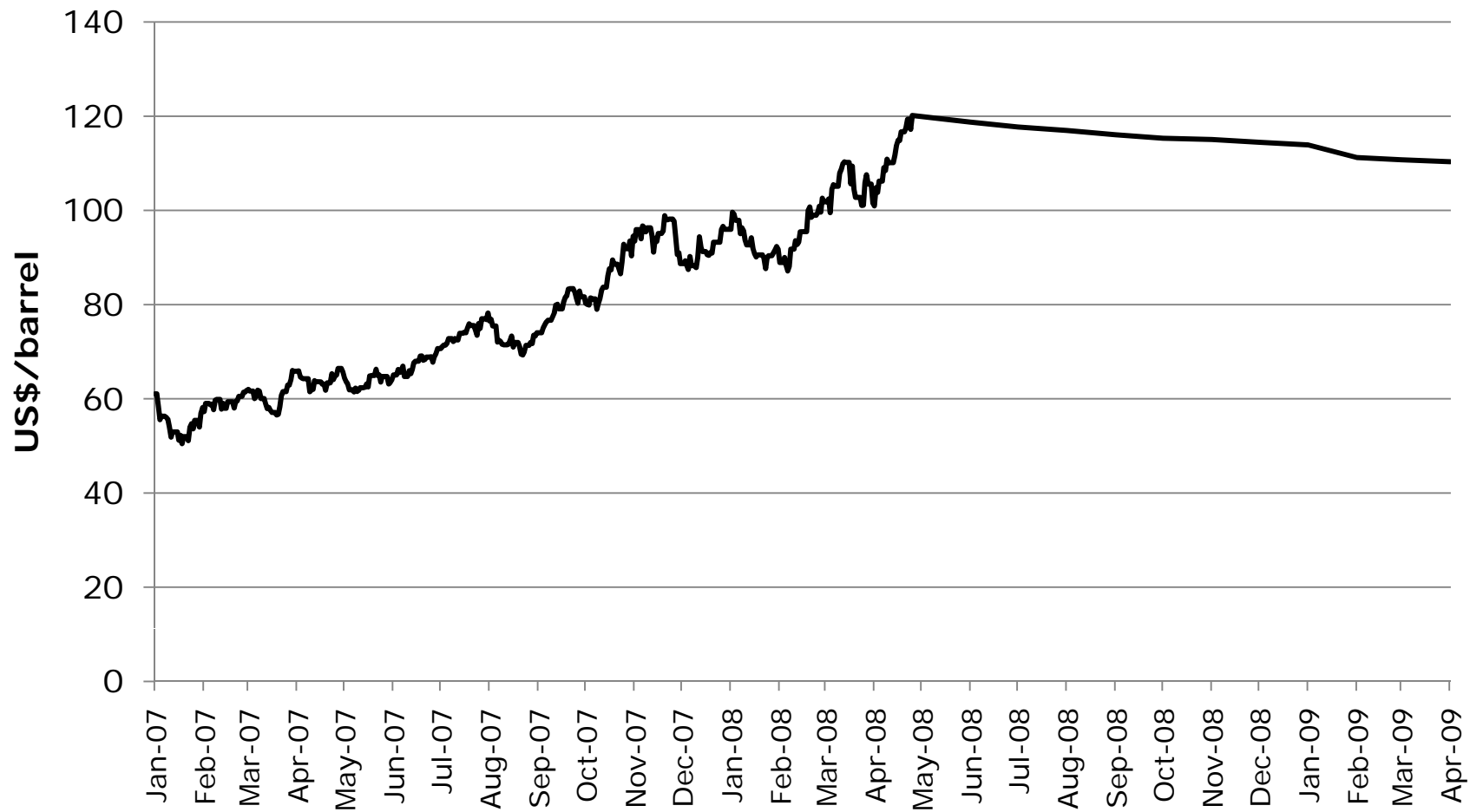
Commodities day ahead and spot prices



Source: Bloomberg

OIL

Crude Oil trend: 1/1/08 – 25/04/08 & Futures Curve



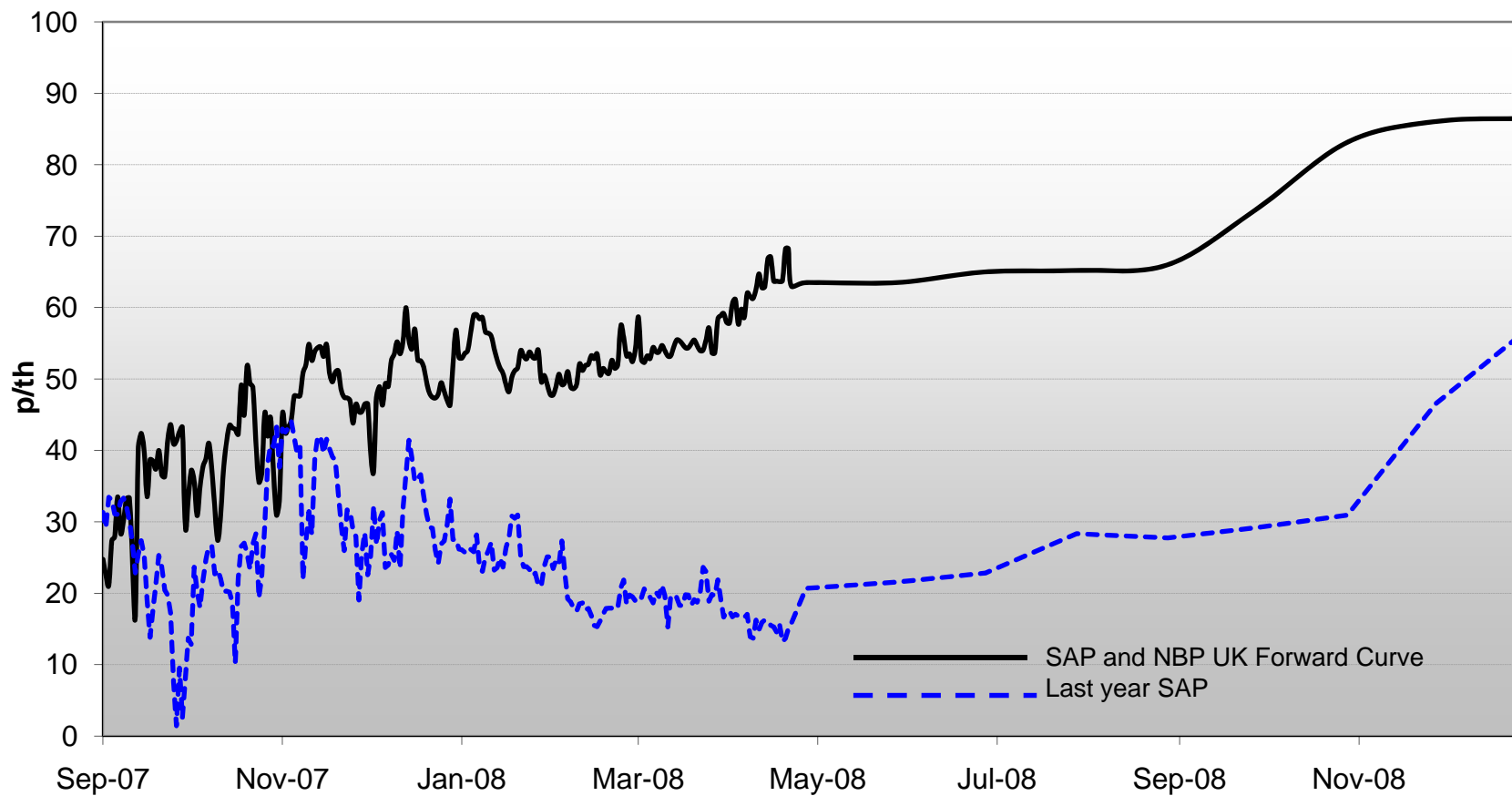
Source: Bloomberg

GAS

Gas Outlook

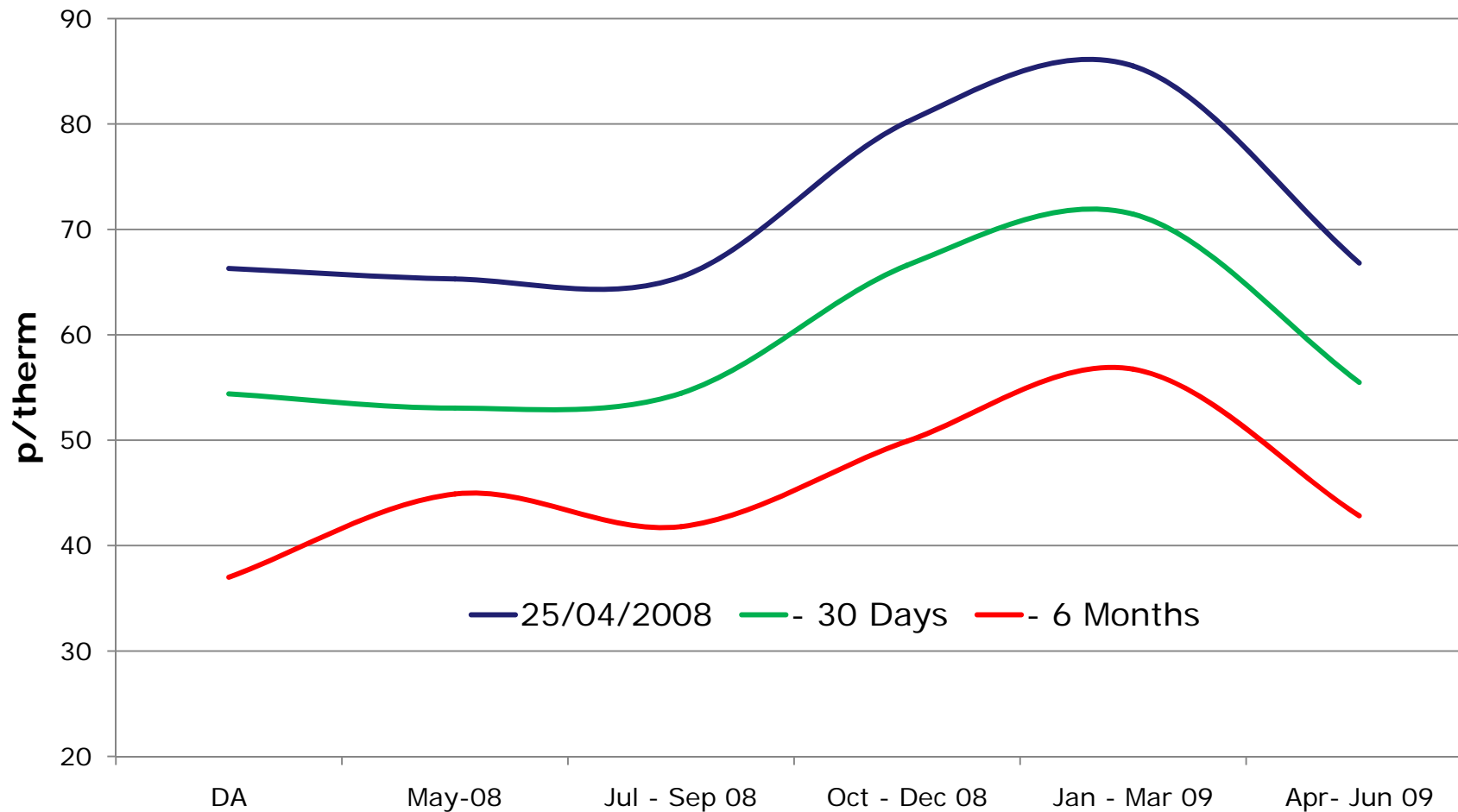
- **Supply situation comfortable**
 - Grangemouth evidence of this (GBA trigger down to 417 on Saturday from 515).
- **GB gas price is oil driven**
 - Marginal supply from continental Europe
 - Continental market dominated by LT oil indexed contracts

NBP Gas Price Evolution



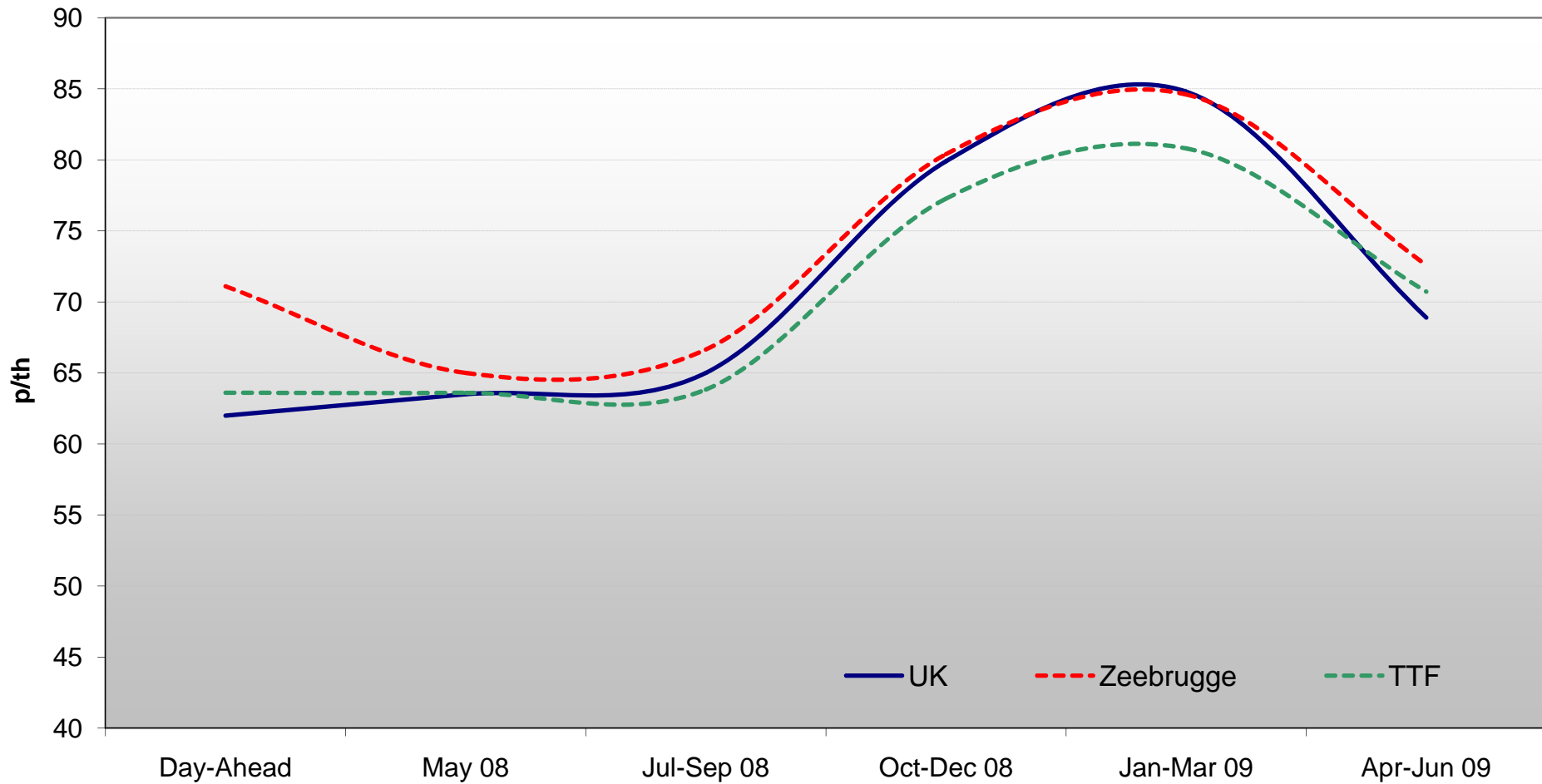
Source: Bloomberg

NBP forward price evolution (quarterly)



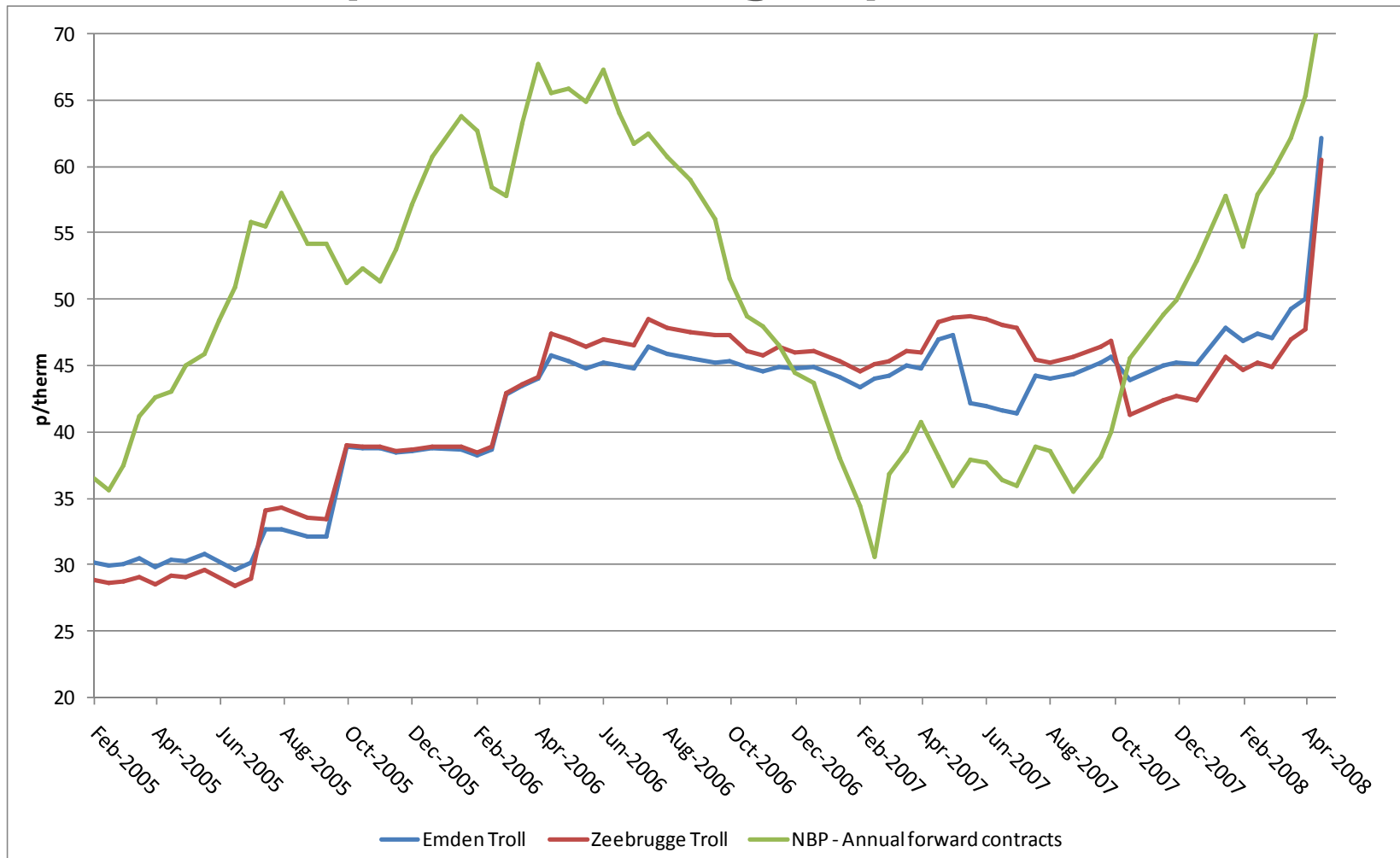
Source: Reuters

NBP, Zeebrugge and TTF compared



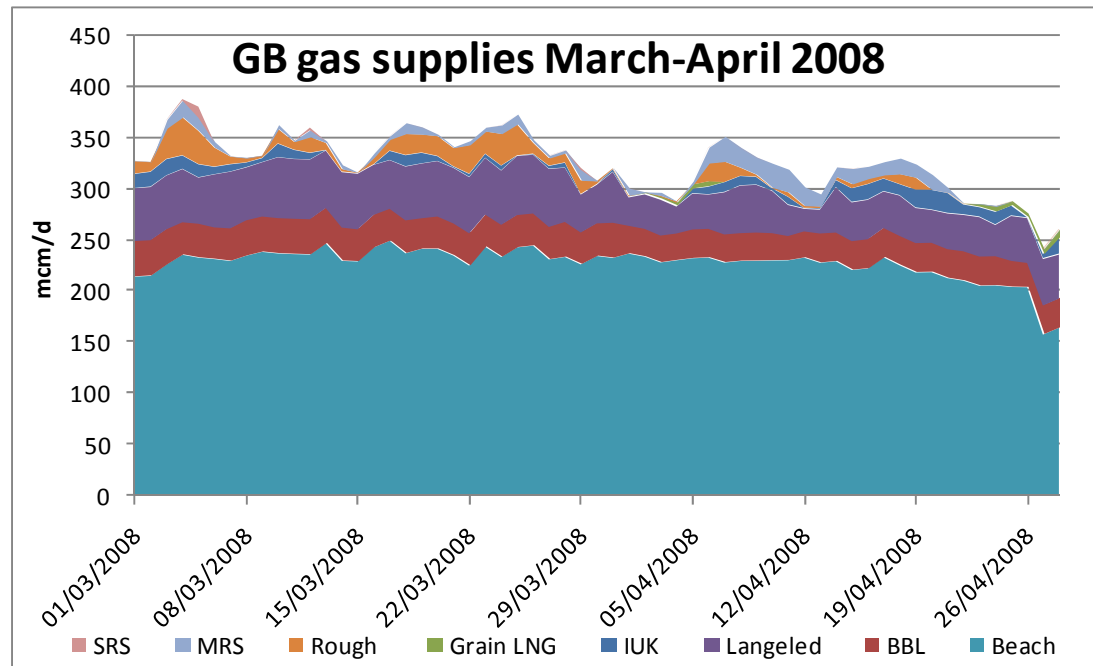
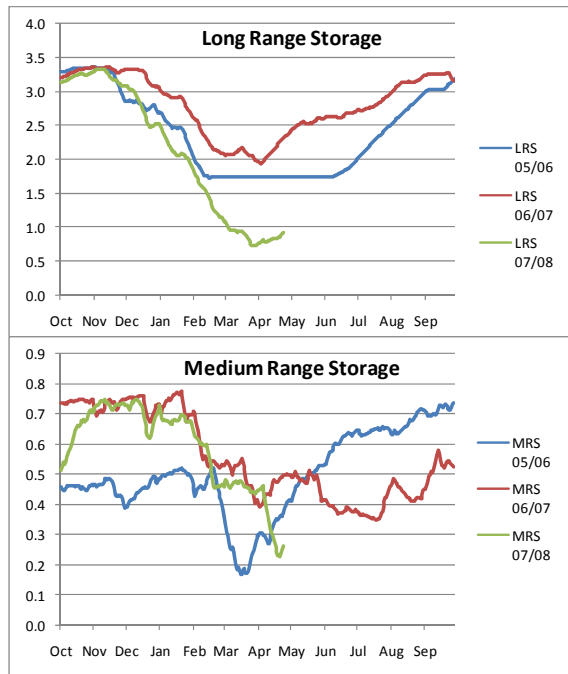
Source: Bloomberg

European border gas price trends



Source: Heren

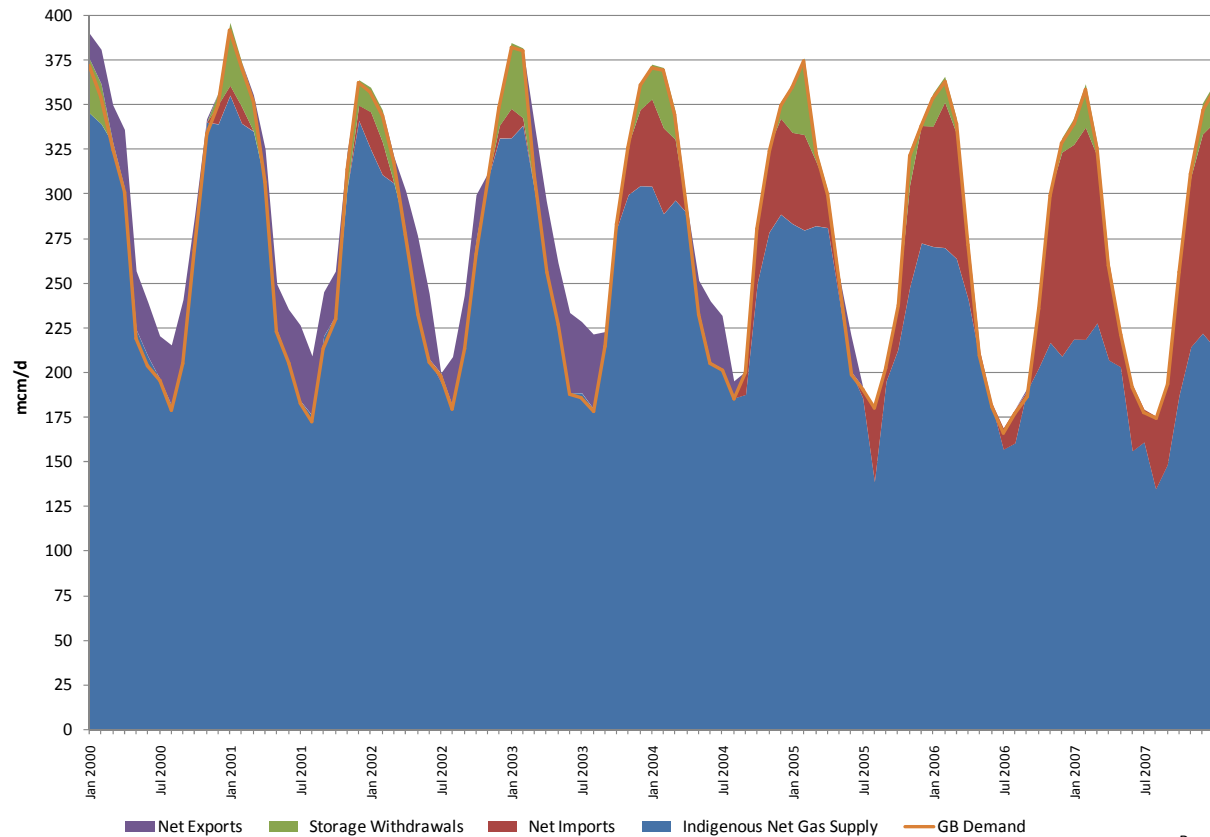
Gas supply – even in fair weather...



System flexibility highlighted by Grangemouth events

Source: Bloomberg, NationalGrid

GB is becoming increasingly import dependent



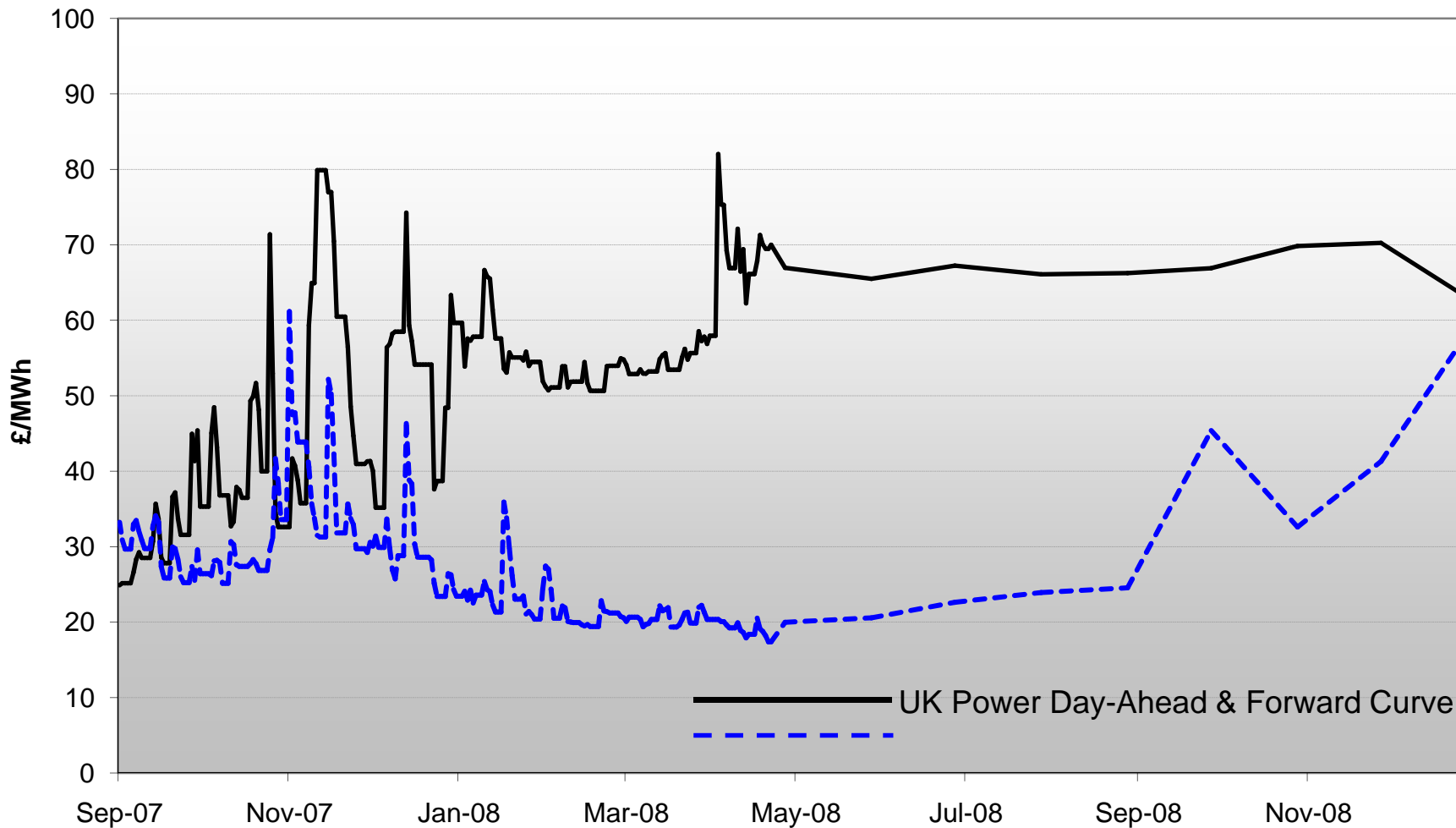
source: Berr

Breaking the continental link between oil and gas prices critical

Source: Bloomberg

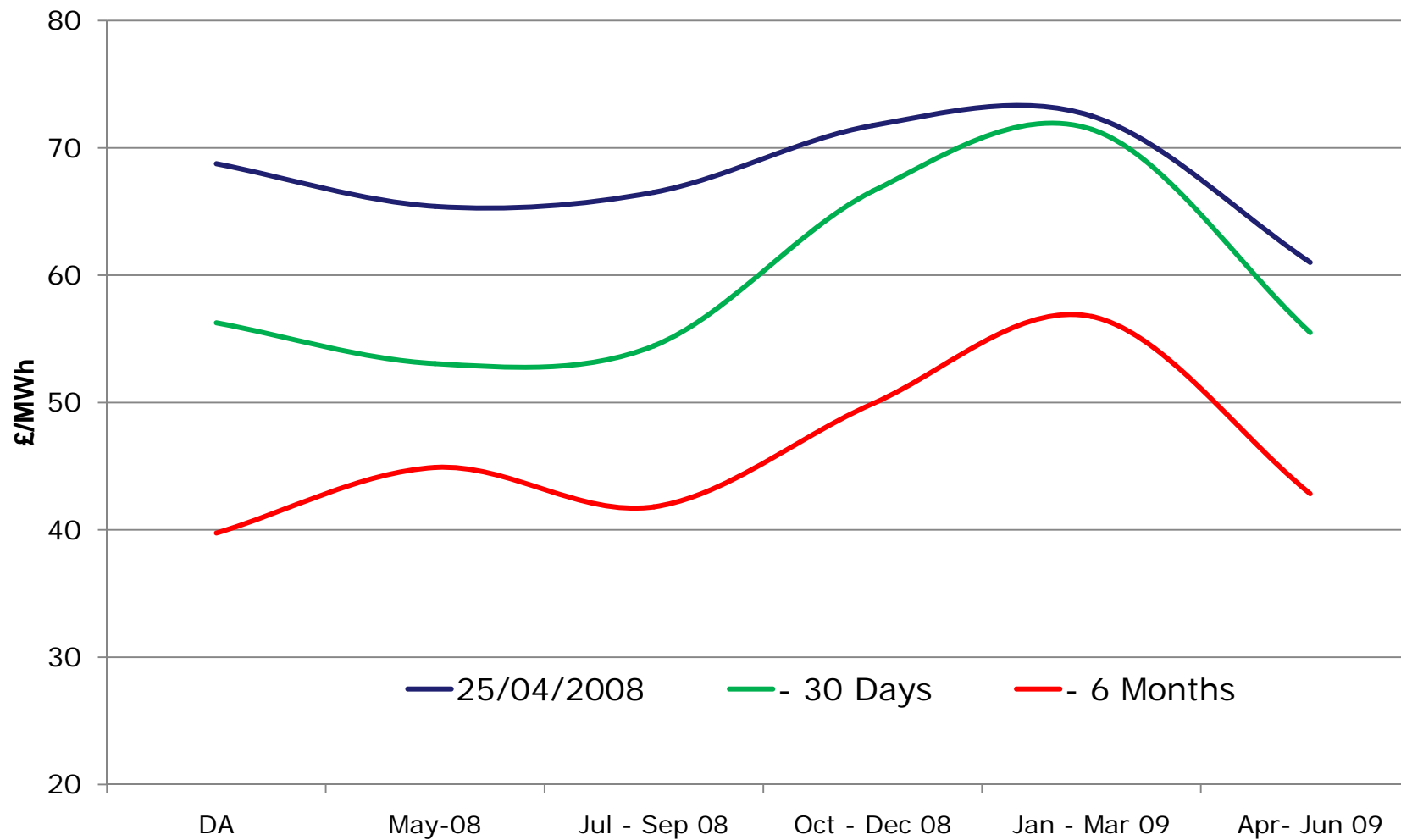
Power

GB Power Price Evolution



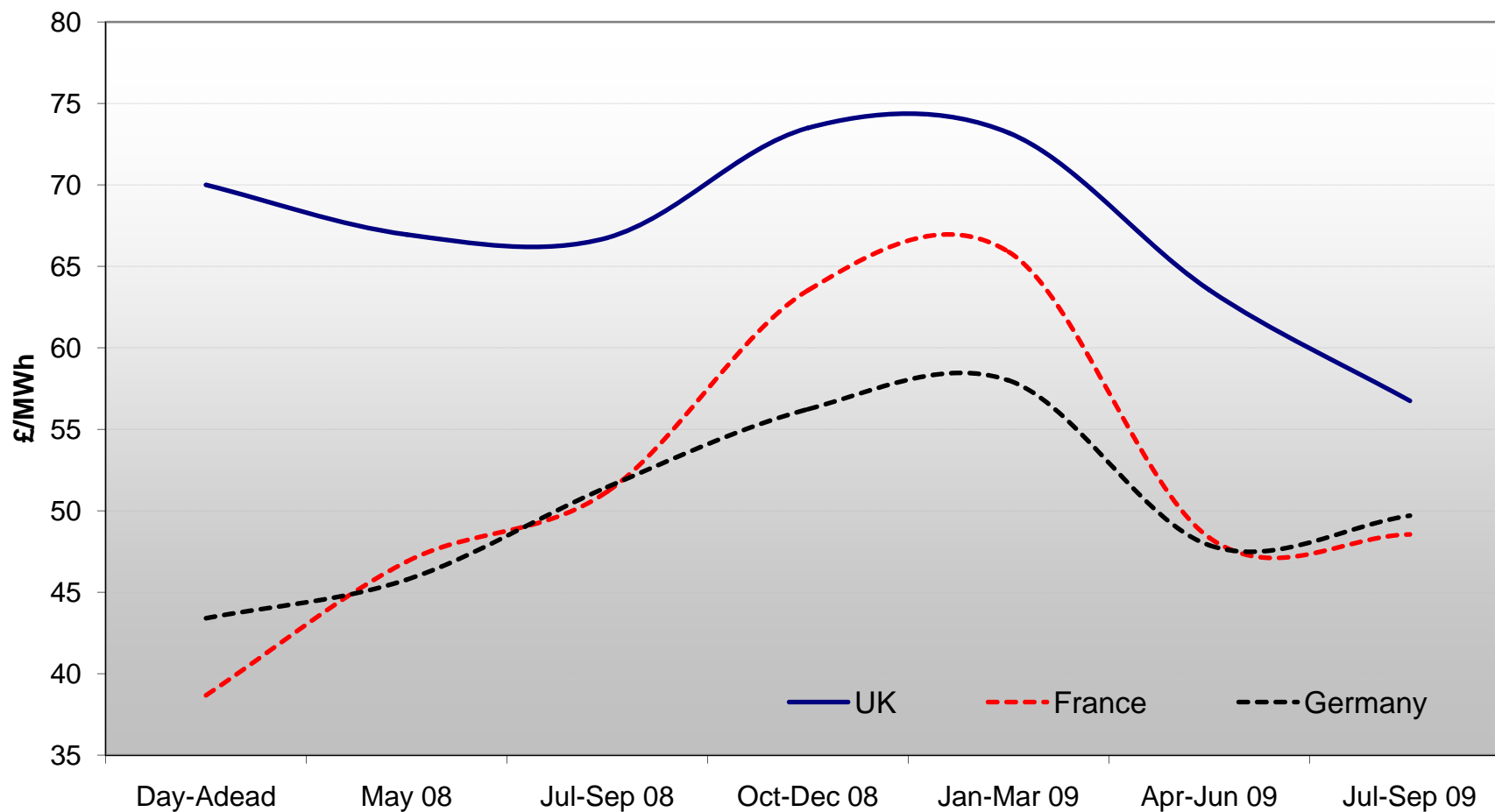
Source: Bloomberg

GB power forward curve (quarterly)



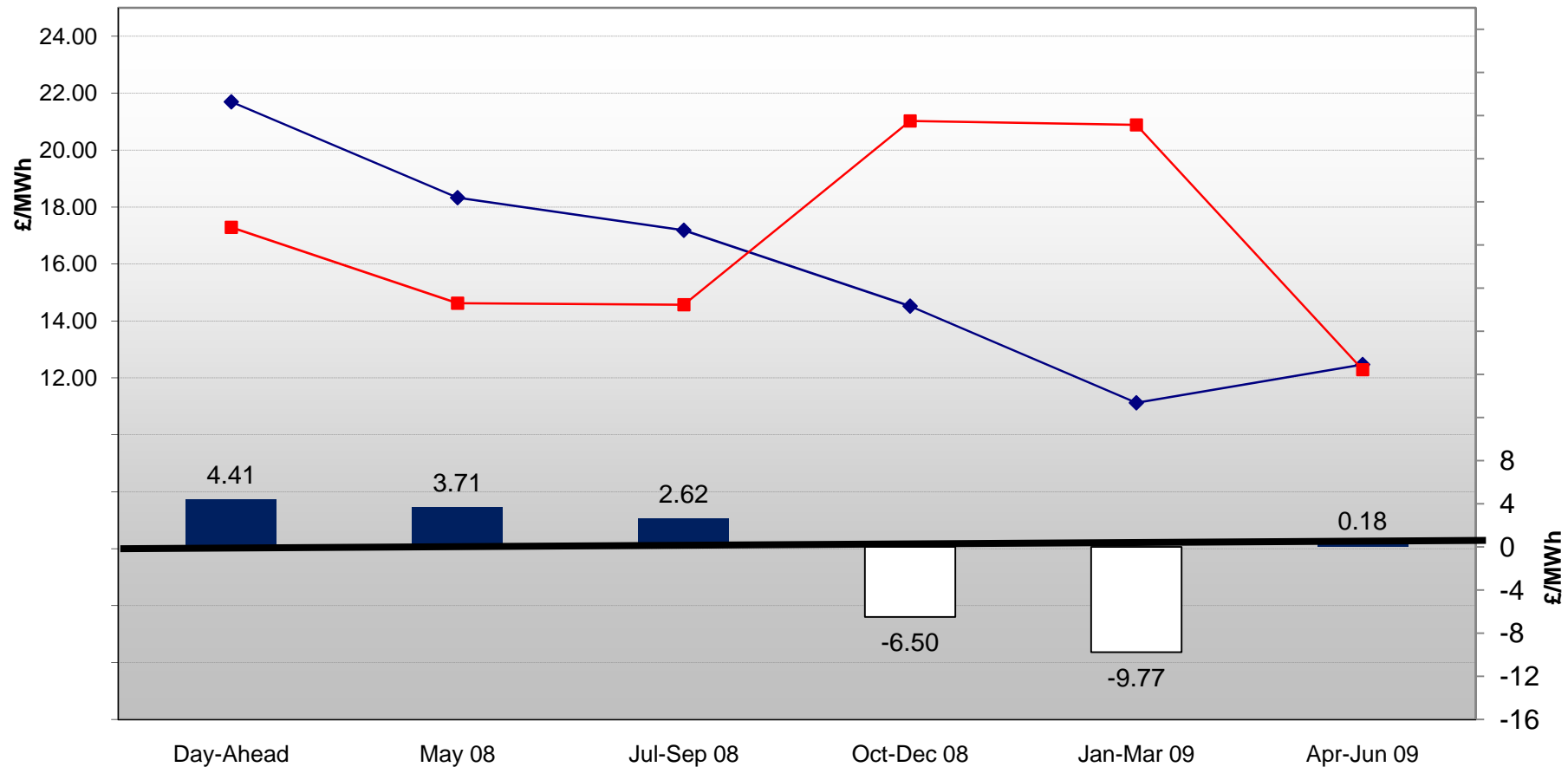
Source: Reuters

European power forward curve (quarterly)



Source: Bloomberg

Spark (Gas) and Dark (Coal) for 2008



Source: Bloomberg

■ Spread Spark-Dark

◆ CLEAN SPARK (Gas)

■ CLEAN DARK (Coal)

- Includes additional O&M and transportation costs

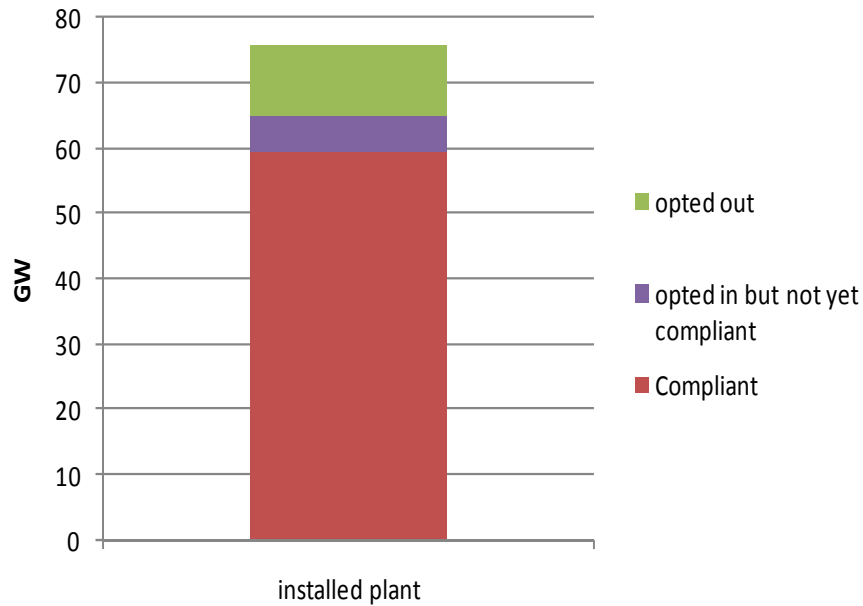
Other issues

- **LCPD – uncertainty over plant behaviour**

- Summer operating patterns
- 11GW of opted out capacity
- 5 GW of plant operating under derogations

- **Constraints**

- Possible increased price volatility due to work on Scotland/England boundary



Longer term view

- **Prices driven by international trends**
- **Oil**
 - Depends on far east demand
- **Carbon**
 - Tightening emissions targets
 - Coal/gas interaction
- **Gas**
 - LNG
 - EU reform
- **Supply/demand**
 - International Issue
 - Gas storage
 - 2016 Challenge