Winter Outlook 2013 / 14

Ofgem Winter Outlook Seminar
7th October 2013
Chris Train – Market Operation Director

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Energy in the news

FINANCIAL TIMES

UK gas supply six hours from running out in March

The Telegraph

Risk of UK blackouts has tripled in a year

The INDEPENDENT

Blackout Britain

theguardian

Growing risk of power blackouts

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Agenda

- Gas
  - Supply
  - Demand
- Electricity
  - Generation
  - Demand
  - Margins
- Summary

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Winter 2013/14 gas supply issues

- UKCS similar to last year, expectation of new developments to offset further decline
- Norway, lower production due to long term outage at Troll
- Continental storage below last year but filling
- LNG
  - Upside
    - Increased global production
    - Increased coal burn in Japan and possible nuclear restarts
  - Downside
    - Increased global demand (new and established markets)
    - Continuing nuclear shutdown in Japan
    - Decline in LNG available for export
- UK storage about 80% full, expectation of near full by early November
- Increased deliverability and space at Aldbrough and Holford
- Commercial operations to commence at Hill Top
- Stublach commissioning late winter but commercial operations not expected

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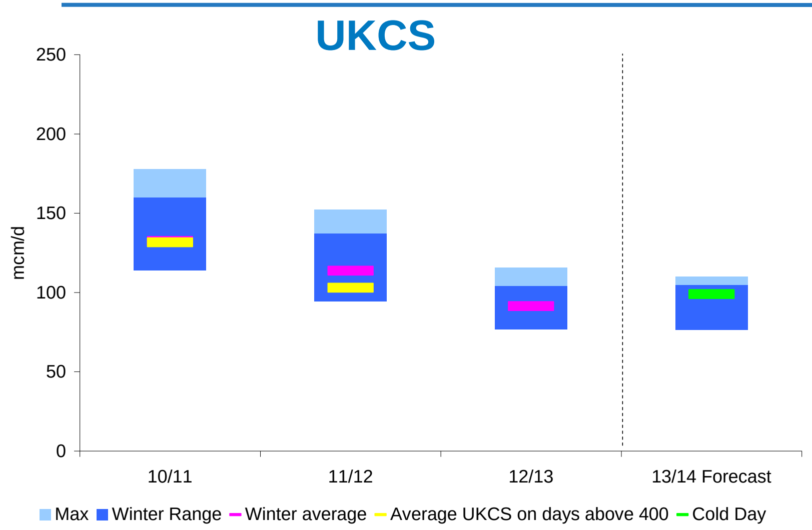
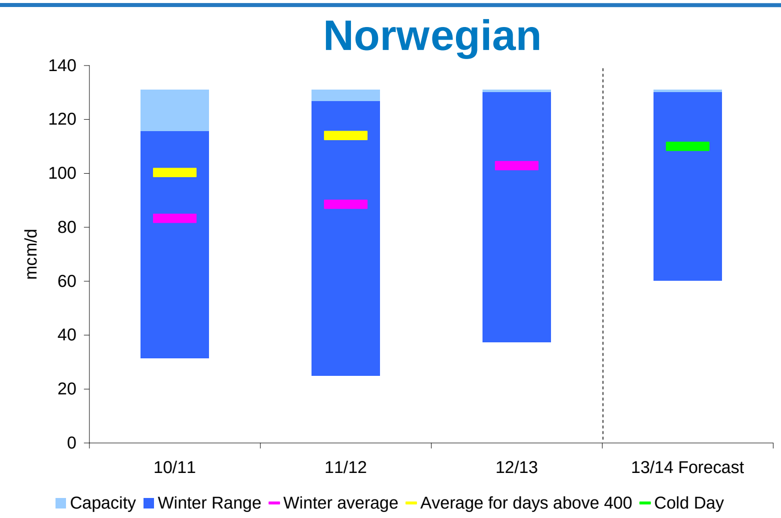
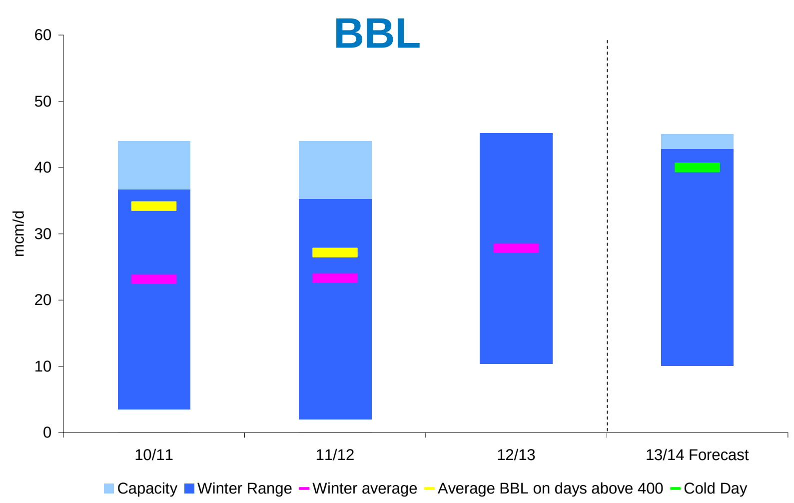
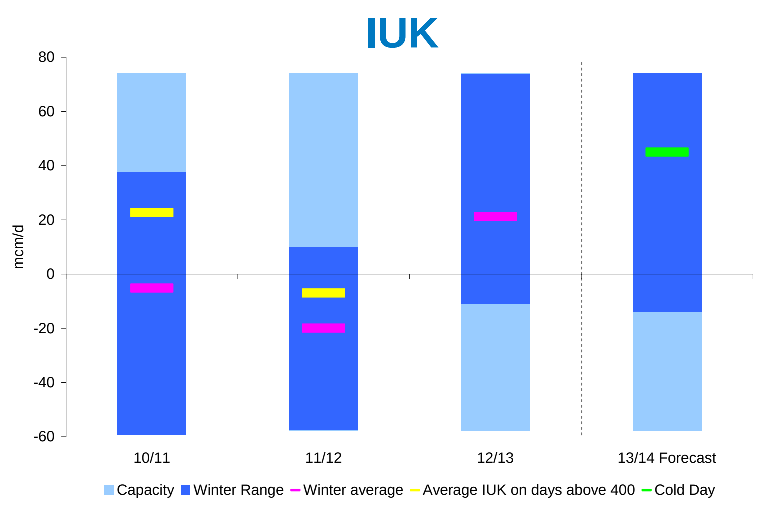
Winter 2013/14 gas supply forecasts by sector

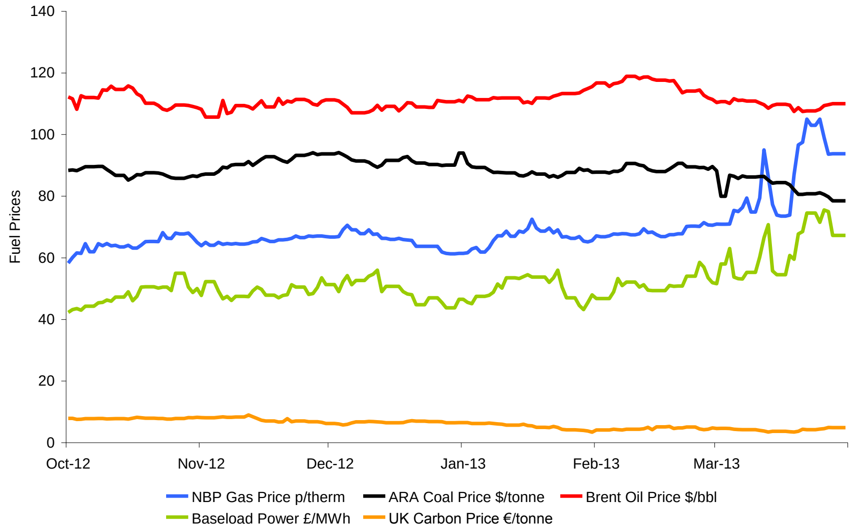


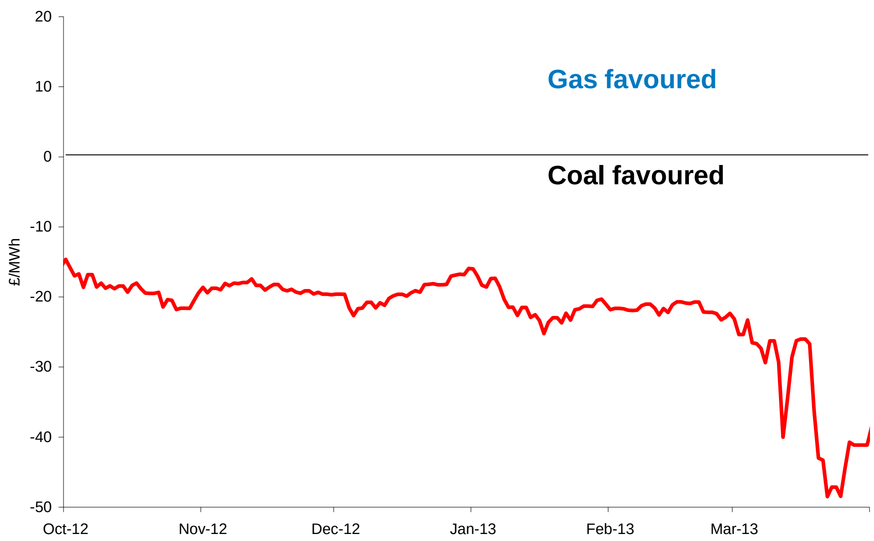






Winter 2012/13 fuel prices & dark vs spark difference





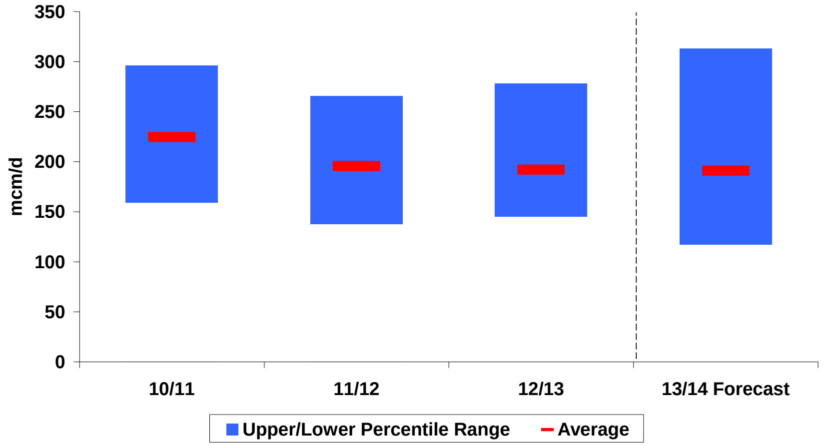
Historic Prices

- Oil relatively flat
- Coal some decline
- Gas slight seasonal increase then significant increase in March
- Power follows gas
- Low carbon price

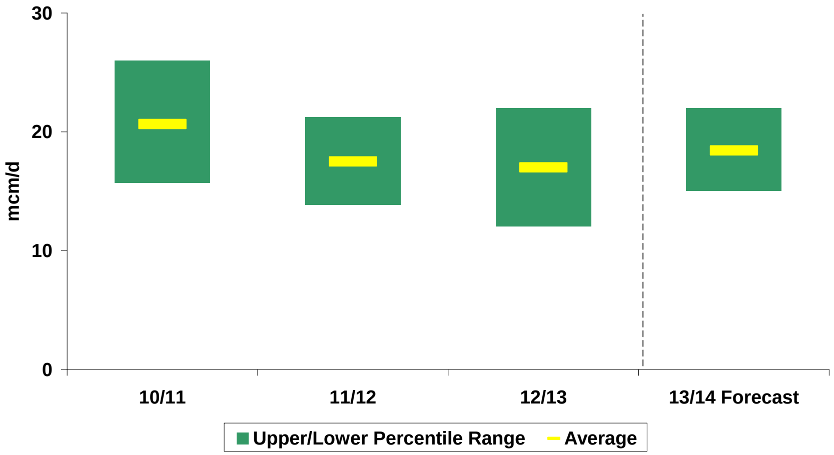
- Clean dark vs spark spread difference strongly favours coal burn over gas
- At times of high gas price, bias is even more pronounced

Winter 2013/14 gas demand forecasts by sector

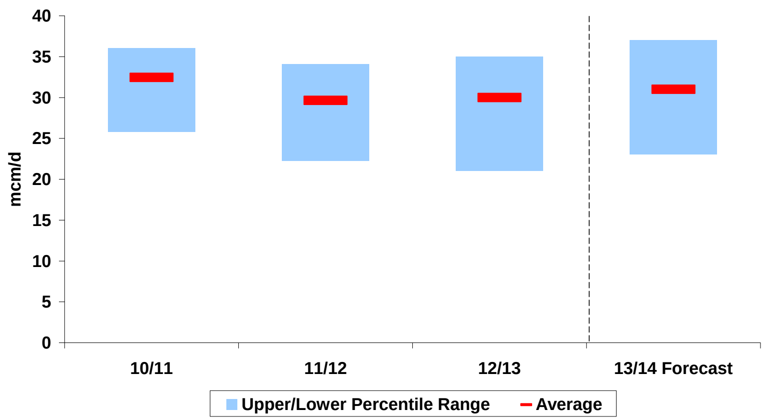
Non Daily Metered



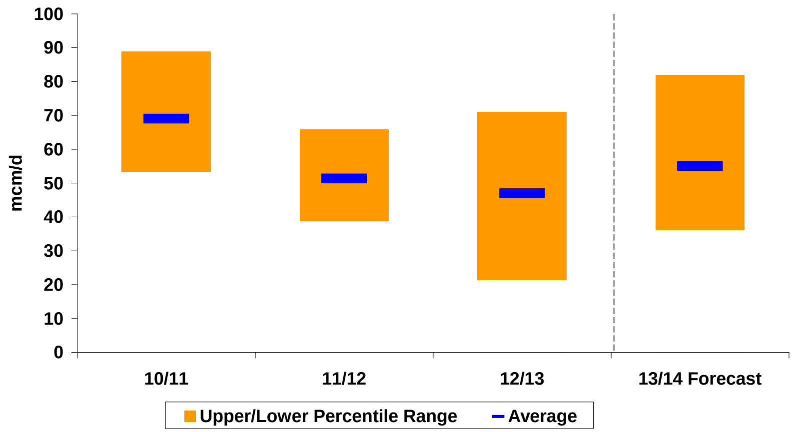
Ireland



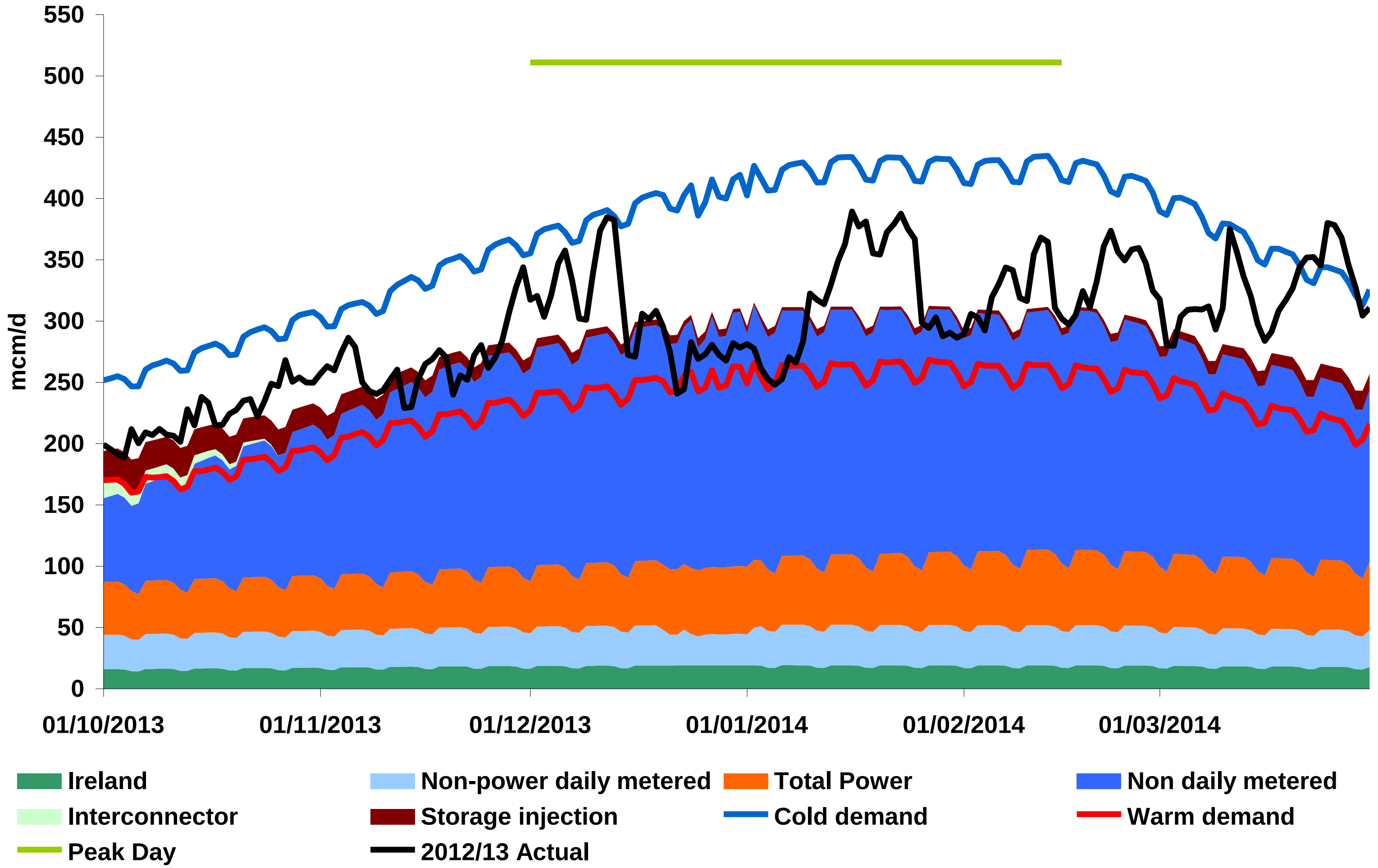
Daily Metered and Industrial



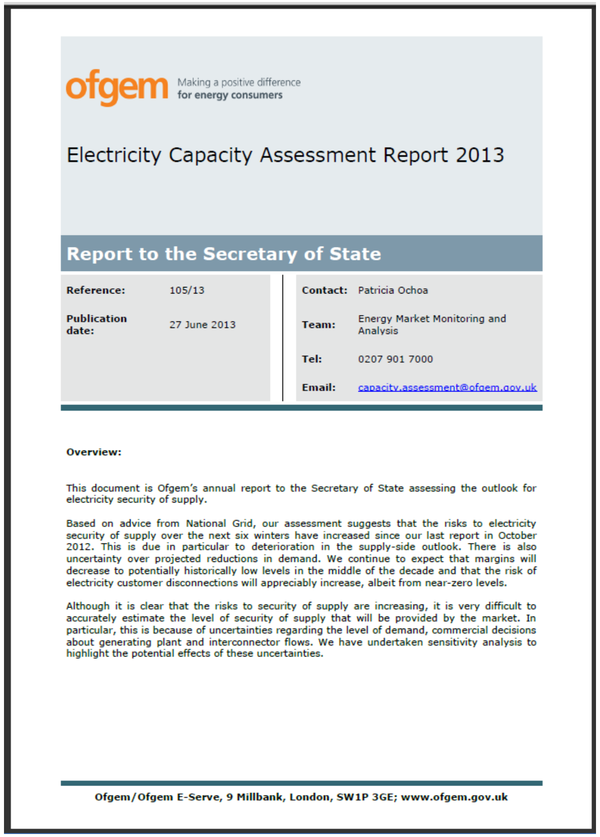
Power Generation



Winter 2013/14 seasonal normal gas demand (SND)



Electricity capacity assessment report – June 2013



ofgem Making a positive difference for energy consumers

Electricity Capacity Assessment Report 2013

Report to the Secretary of State

Reference:	105/13	**Contact:**	Patricia Ochoa
Publication date:	27 June 2013	**Team:**	Energy Market Monitoring and Analysis
		Tel:	0207 901 7000
		Email:	capacity.assessment@ofgem.gov.uk

Overview:

This document is Ofgem's annual report to the Secretary of State assessing the outlook for electricity security of supply.

Based on advice from National Grid, our assessment suggests that the risks to electricity security of supply over the next six winters have increased since our last report in October 2012. This is due in particular to deterioration in the supply-side outlook. There is also uncertainty over projected reductions in demand. We continue to expect that margins will decrease to potentially historically low levels in the middle of the decade and that the risk of electricity customer disconnections will appreciably increase, albeit from near-zero levels.

Although it is clear that the risks to security of supply are increasing, it is very difficult to accurately estimate the level of security of supply that will be provided by the market. In particular, this is because of uncertainties regarding the level of demand, commercial decisions about generating plant and interconnector flows. We have undertaken sensitivity analysis to highlight the potential effects of these uncertainties.

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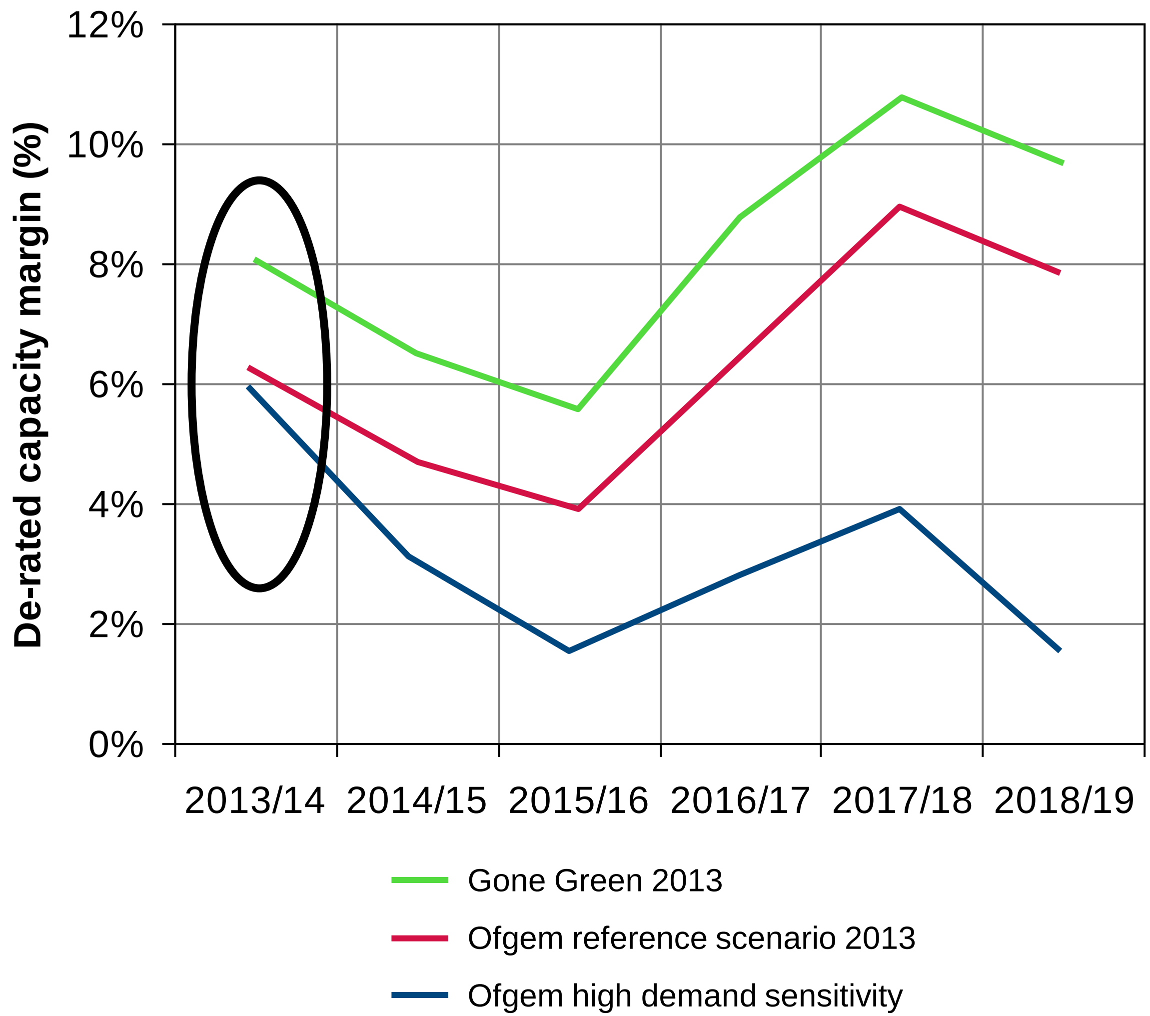
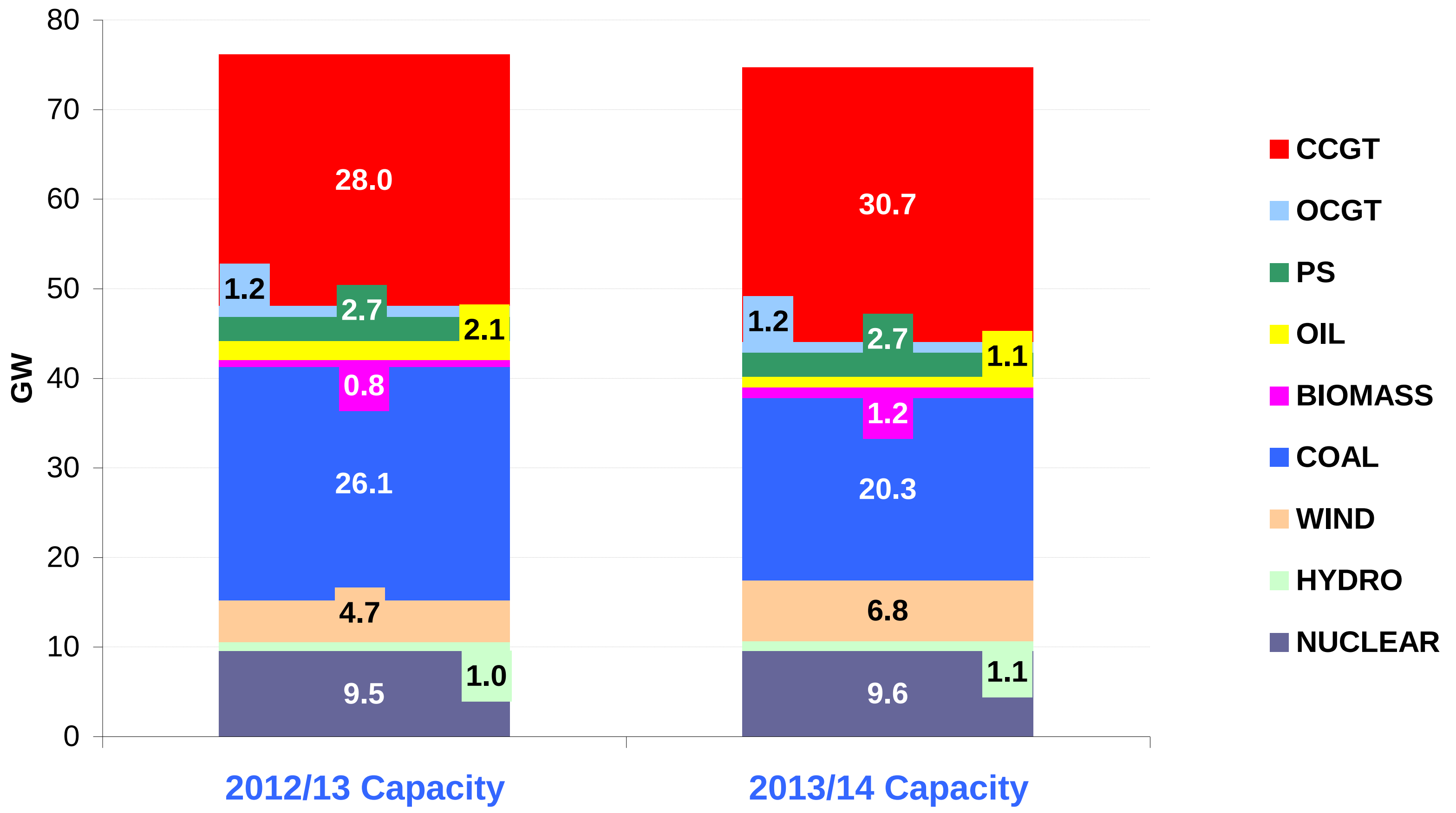
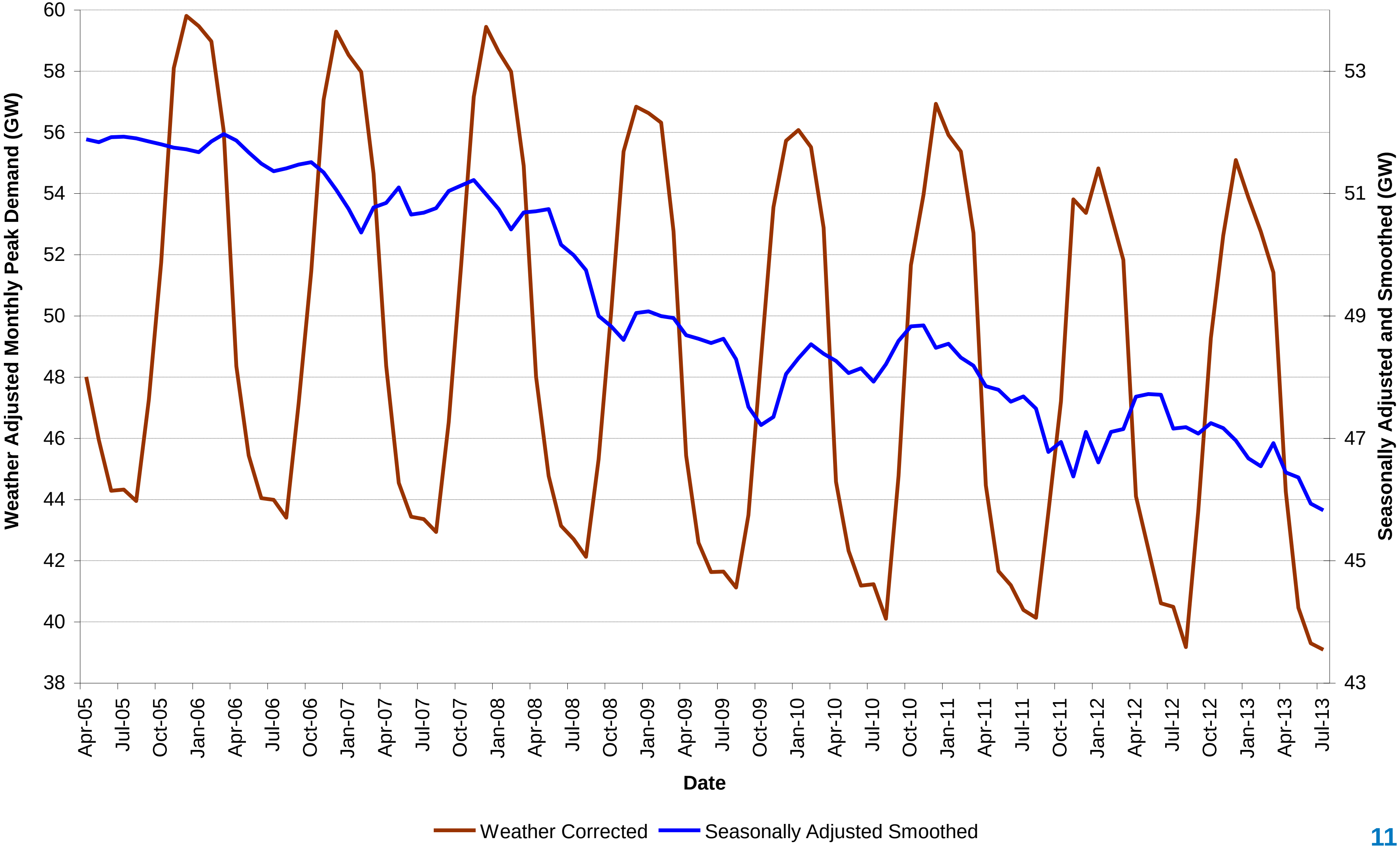


Generation capacity



Electricity - Demand



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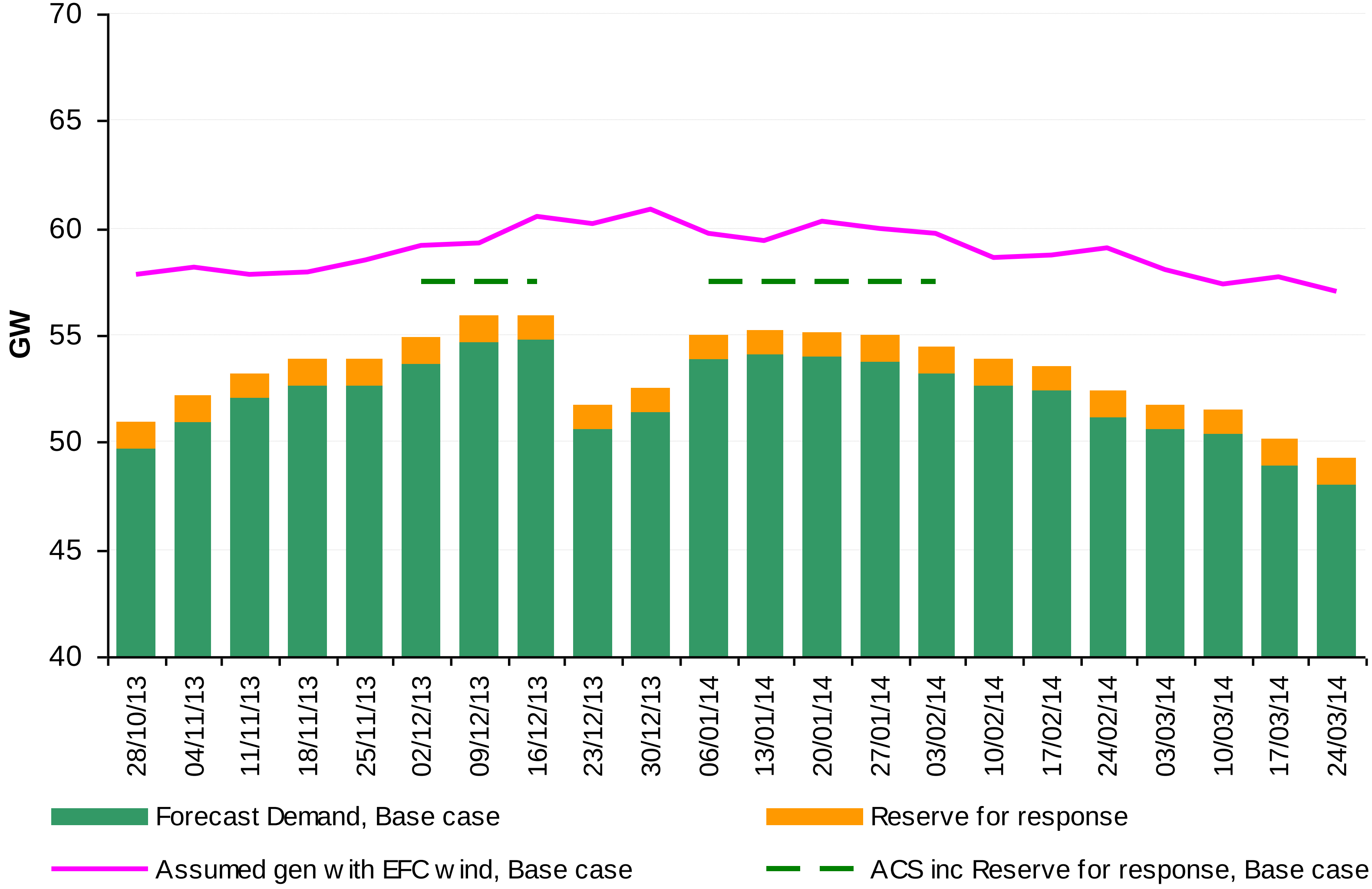
Electricity – Demand Forecasts

	2012/3	2013/4	
Demand Forecast (GW)	**Winter Outlook**	**Winter Consulation**	**Winter Outlook**
Weather Corrected	55.5	55.5	54.8
Average Cold Spell (restricted)	56.6	56.9	56.3
1 in 20 (restricted)	58.4	58.6	58.0

Customer Demand Management	1.2	1.2	1.2

Electricity – Central Forecast



We have a range of tools…

Electricity

- Communication (NISMs)
  - Market provision of capacity
- Access additional capacity
  - Non BM STOR
  - Max gen service
- Improve Interconnector flow
  - Trading
  - Emergency arrangements
- Reduce demand
  - Voltage reduction

Gas

- Information provision
  - Margins Notice
  - Gas Deficit Warning
- Operational Tools
  - Reconfigure network / optimise compressors
  - Enforce rules in UNC / NEXAs
- Commercial Tools
  - Local / National Energy Actions
  - Capacity
  - Scale back Buy Back

Summary

Gas

- 2013/14 demand comparable to 2012/13 (but subject to weather)
- Diverse range of supply capacity, in excess of peak demand, subject to market forces

Electricity

- Average Cold Spell demand forecast 56.3 GW
- Central forecast margin of 5%: actual margins will depend on actual demand, generation availability and interconnector flows

No room for complacency, but
Confident market has the capability to deliver, and
National Grid has the right mix of physical assets, operational and commercial tools to ensure consumers receive the energy they need reliably, efficiently and safely

Thank you