



Capital For Gas: Sufficient and Transparent? A UK Perspective

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The investment decision making process has become more complex.

1997

In February 1997 the shareholders of British Gas plc approved the demerger of Centrica plc. British Gas plc was renamed BG plc.

1999

In December 1999 BG plc completed a financial restructuring which resulted in the creation of a new parent company, BG Group plc.

2000

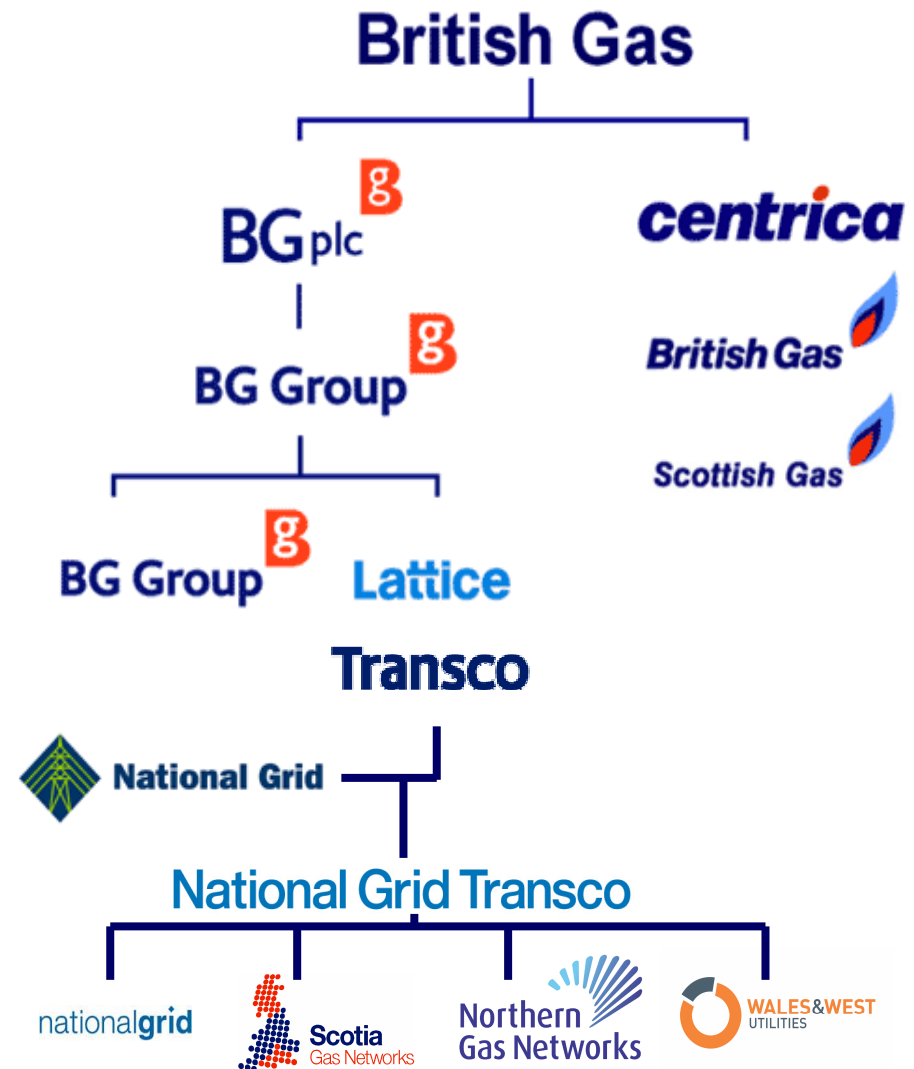
On 23rd October 2000 BG Group plc completed the demerger of Lattice Group plc creating two separate companies.

2002

On 21st October 2002 National Grid plc merged with Lattice Group plc to form National Grid Transco plc.

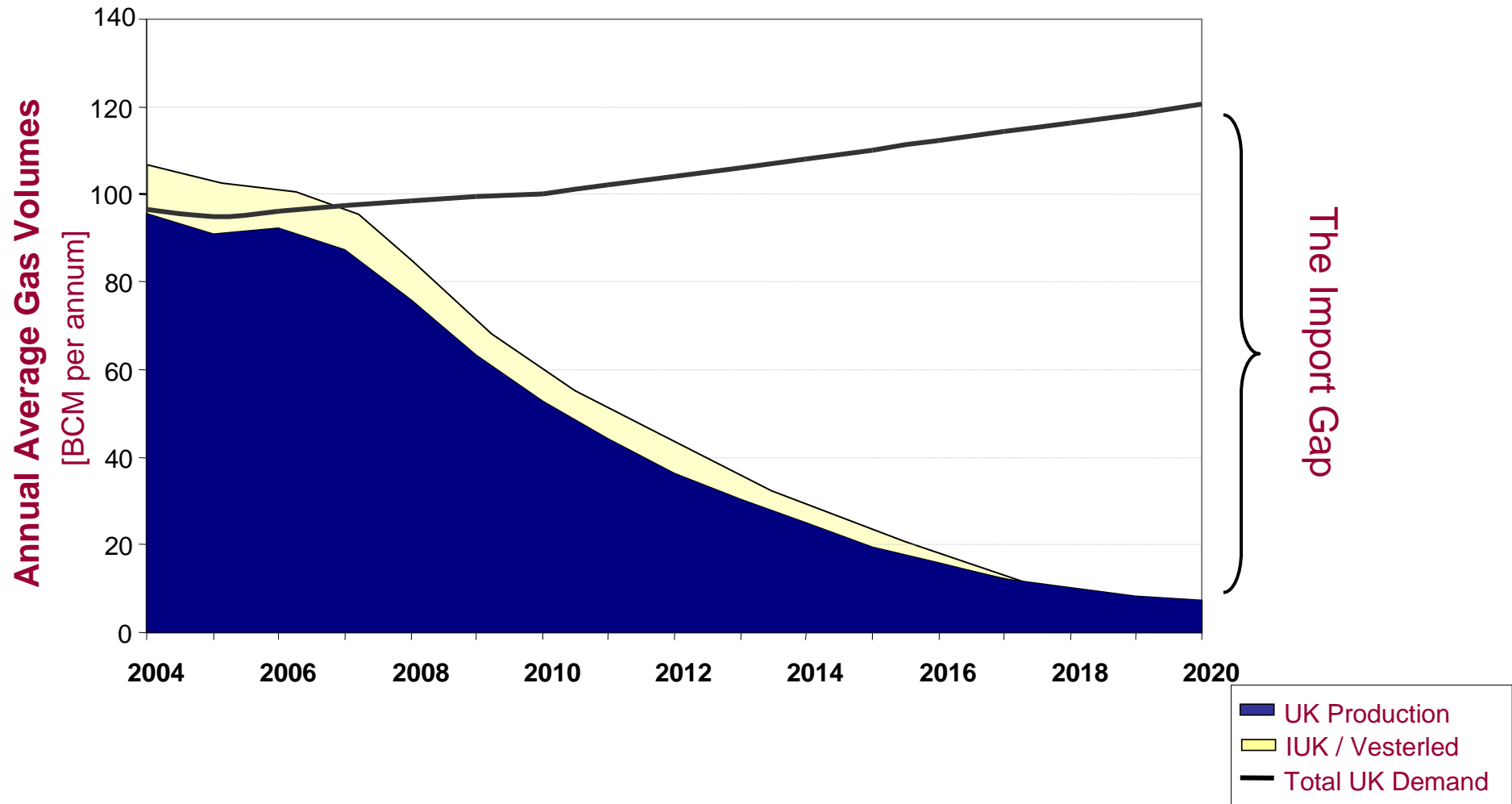
2005

NGT sold four networks to SGN, NGN and WWU. NGT became national grid.



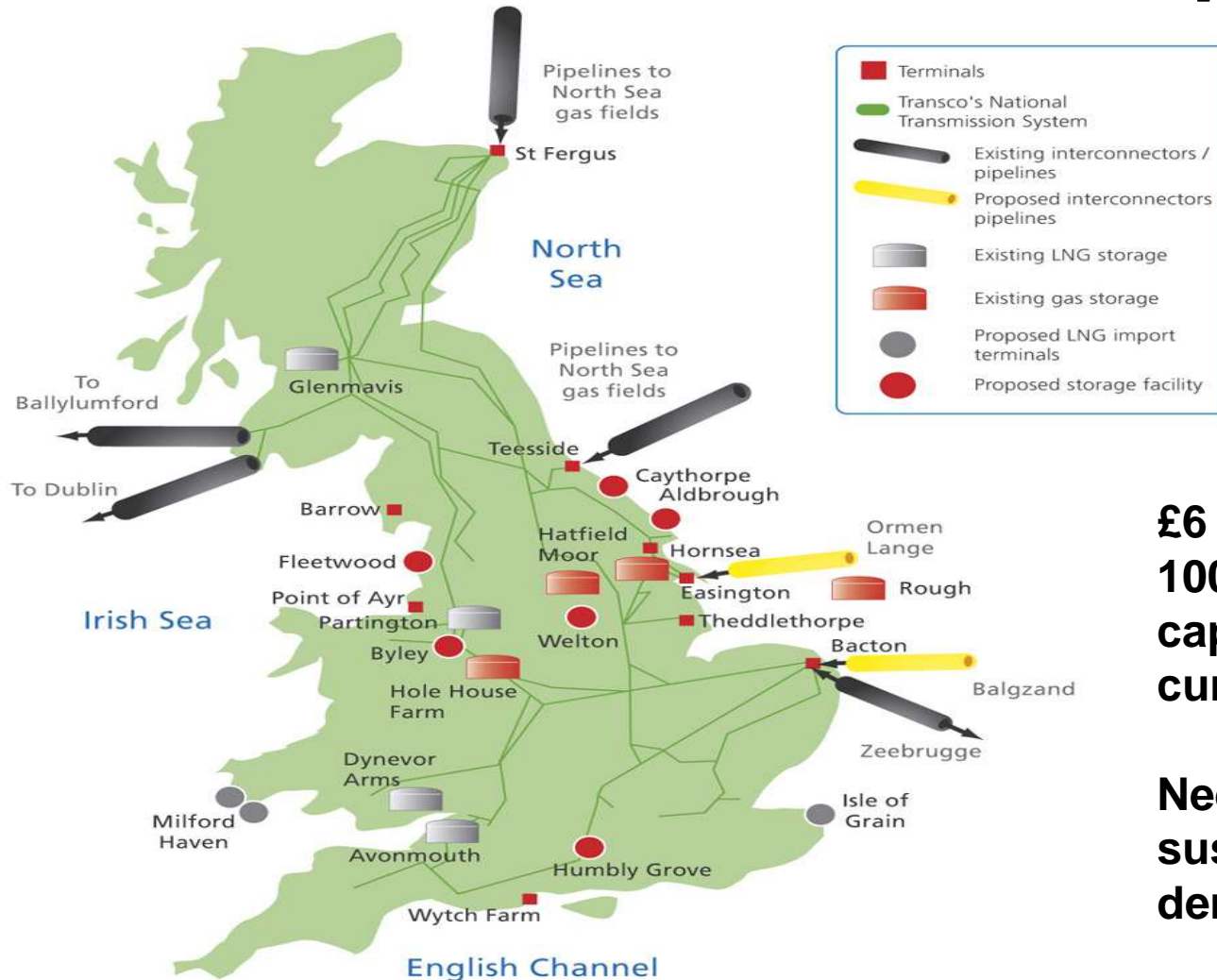


Future Import Dependency





Investment in New Supplies



**£6 billion investment
100 bcm of import
capacity by 2009 - 90%
current UK demand.**

**Need to also consider
sustained daily peak
demands.**



Investment Obligations

- Gas Transporters have an obligation to ensure that 1 in 20 pipe capacity is available
- Gas Suppliers have an obligation to ensure that 1 in 50 supplies are available for domestic customers.
 - The obligation for industrial and commercial customers is a decision for the market



Investment Consequences

- Commercial decision made on when to invest
- Major investment is delayed
- Security of supply tends towards average winter levels
- Reliance on the market for additional supplies
- Reliance on demand side response to balance supplies and demands



Demand Side Response 2005/06

- Significant Response from CCGTs
 - How long could this be sustained for in a severe winter ?
- Some response from major industrial users
- Most industrial and commercial customers continued to utilise gas
- Had a 1 in 50 winter occurred in 2005/06 a demand side response of 3.7bcm would have been required.
 - This is equivalent to 50% of the non power daily metered customers being shut off for over 50 days.



Contingency Planning A European Perspective is Required



Rough – 16 February 2006



Learning Points from the UK

- The security of supply licence obligations should cover all non-interruptible industrial and commercial customers as well as domestic.
- Countries should plan to have physical peak gas supplies to cover peak gas demands.
- A cross-border approach should be taken to contingency planning.



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