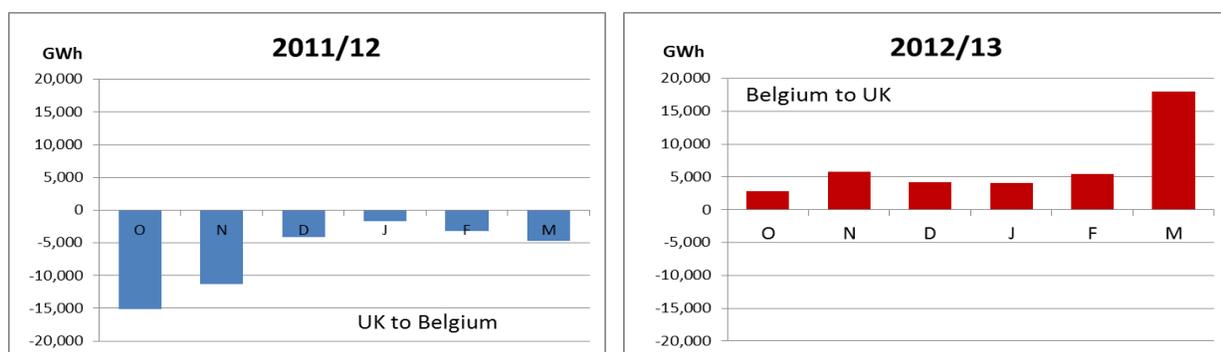


Record GB Imports

Winter 2012 – 2013 has been an extraordinary time for the Interconnector. Flows set new records with IUK importing a total of 41,650 GWh (around 3,820 mcm) during the period into GB, a swing of over 80,000 GWh (7,503 mcm) compared to the same 6 month period in the previous gas year. With a decline in LNG and beach supply as well as low storage levels, IUK demonstrated its flexibility by covering the much reduced supply from other sources and proving its importance to GB Security of Supply.

IUK Winter Flows over the previous two Gas Years



The new gas year began with IUK importing gas into GB, against the trend of GB exports in previous years. Whilst IUK did export to the Continent on some days in the period, flows were generally and substantially in the direction of GB import. By March, the concurrence of an extended cold weather spell, very low storage levels, low LNG deliveries and a number of supply disruptions resulted in an unprecedented level of dependence for the GB market on pipeline gas from the Continent. IUK imported a total of 18,000 GWh in March 2013, breaking the previous monthly flow record which dated back to August 2003. IUK also set a new daily flow record on 21 March delivering a total of 787 GWh (over 72 mcm) into GB. This was one of three daily flow records during the month with the previous record dating back to February 2006.

IUK Outage

On Friday 22 March, when the daily flow record might otherwise have been broken yet again, there was a mechanical failure in the hot water/glycol system (required to ensure gas delivered to NGG meets temperature specification) causing a full shutdown of the Bacton Terminal. The response by site personnel to identify the problem and take all measures needed to reinstate the system and then restore gas flows - safely and swiftly - was exemplary. Within a few hours of the failure, IUK was back flowing at maximum capacity. For the first time in over 7 years, IUK failed to meet Shippers' nominations in full.

IUK takes great pride in the reliability of the service provided and we will do our utmost to ensure that Shippers continue to enjoy the customary levels of reliability from the Interconnector.

GB Supply Situation

This incident came at a time when there were a variety of GB supply issues conspiring to cause a resurgence in gas market price volatility and for this reason there was a flurry of both market and media activity on the day of the incident. The story is really the long-running one of “security of supply for GB as a whole” – an issue that is clearly not going away anytime soon.

Whilst the Interconnector was supplying up to 25% of GB gas demand during March, it is worth remembering that the Interconnector is not just (as has been reported) a GB supply line - it connects the GB & Continental markets and will respond rapidly to changes in market price differentials. It is equally capable of delivering large volumes of gas from GB to Belgium as it is from Belgium to GB. Through IUK, the GB market has accessed significant volumes of continental gas storage. With a total of 41,650 GWh of gas being delivered to GB via the Interconnector, this was equivalent to a long range storage system without the concern of declining deliverability rates or a finite volume in store. Proof that cross border markets are working effectively without the need for storage support at member state level.

Stakeholder Consultation on CMP

Whilst it has been a busy 6 months operationally, it has also been a very busy period from a regulatory perspective. IUK’s consultation on the implementation of Congestion Management Procedures was recently published and is available on our website. This is the first of the Network Codes to be introduced and our first stakeholder consultation of this type. We encourage stakeholders to express their opinions as we look towards developing our business rules to give effect to CMP.

IUK operates a bi-directional gas pipeline and terminal facilities linking the UK and continental European energy markets, capable of transporting 810 GWh/d from Zeebrugge in Belgium to Bacton in the UK and 630 GWh/d in the opposite direction.