

A faded, blue-tinted background image of a gas meter with various components like valves and pipes visible.

## Long-term security of supply in a liberalised market

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# Introduction

- What is security of supply?
- Overall UK approach
- Ofgem's role

# Security of Supply: Regulator's perspective

- Long term
  - Adequate infrastructure
  - Sufficient available supplies of gas
- Short term
  - Supply shocks (eg. offshore failure)
  - Demand shocks (eg. weather variation)
  - Network outages

# UK approach: the Energy White Paper

The white paper emphasised:

- “Reliable, competitive and affordable supplies”
- Liberalised energy markets are a cornerstone of energy policy;
- “For the markets to work, firms need to be confident that Government will allow them to work. Energy supply problems in other countries have demonstrated the risks of not doing so. We will not intervene in the market except in extreme circumstances ...”

# Ofgem's role - Short-term (1)

## Market monitoring

- Active market surveillance
  - Gas prices – comparison to fundamentals
  - Summer interruptions
- Tackling market abuse (Competition Act powers)
  - Strong penalties available (CA 1998 and licence)
- Identifying and addressing barriers to security of supply
- **Efficient SO incentives**
  - Capacity constraint management
  - Residual gas balancing

## Ofgem's role - Short-term (2)

### Information release

- Improve the market response
- Facilitate system operation
- Eg. Offshore information

### Emergency procedures

# Ofgem's role - Long-term (1)

## Network infrastructure

- Invest to cover “peak conditions”
- Investment decisions based on TSO planning
- Price controlled for efficiency
- Market signals
  - Supplement traditional planning
- Incentives to respond
- Regulatory certainty (non-intervention)

## Ofgem's role - Long-term (2)

### **Sufficient available supplies of gas**

- Facilitate new import infrastructure and interconnection
  - LNG and interconnectors
- Historic gas quality issues
- Assist in liberalisation of European markets
  - Non-discriminatory access [including UKCS infrastructure]
  - Measures to facilitate trading hubs – credible price references and centres for demand



# Ofgem's Approach

- Reliance on the market to deliver long-term supplies of gas and infrastructure
  - LNG import terminals, storage facilities and interconnectors
- Active monitoring
  - JESS
  - Gas balancing
  - 6 monthly security of supply report
- Addressing barriers to the market responding
  - DTI / Ofgem looking to give guidance and comfort with respect to interpretation of new Gas Directive

A large, central ofgem logo, identical to the one in the top right corner, set against a background of a blurred electrical plug and socket.

Promoting choice and value for all  
gas and electricity customers