

**FEBRUARY 08**

# ENERGY UPDATE

## Ofgem to probe Supply markets

Ofgem has launched an investigation into power and gas supply markets because of growing public concern over price rises. "The decision to conduct the probe is in to public concern about whether the market is working effectively," Ofgem chief executive Alistair Buchanan said. "To date we have seen no clear evidence that the market is failing. Nevertheless recent events in the market have increased public concern and have damaged customers confidence that competition is working well and giving them a good deal"

## Ofgem fines National Grid £41.6 million

Britains energy regulator has fined National Grid 41.6 million pounds for restricting the development of competition in the market for domestic gas meters. "National Grid has abused its dominance in the domestic gas metering market, restricting competition and harming consumers," Ofgem Chairman John Mogg said in a statement. "The abuse has prevented suppliers from contracting with other companies for cheaper metering deals and could discourage suppliers from installing smart meters," Mogg added.

## Fears that OPEC will cut production.

West Texas Intermediate (WTI) for delivery in April 08, rose to a high of \$100.86/bbl on 20th February, 2008, on speculation that global demand for crude oil will continue to rise, concerns that OPEC would cut production quotas and increased investment in commodities as the Dollar fell against the Euro. OPEC who control more than 40% of the worlds oil are scheduled to meet on 5th March to discuss production

output. Quotas were left unchanged at their last meeting on 1st February. However, there has been concern within the market that OPEC will now cut production quotas, on the assumption that demand for crude oil will start to decline as the winter season comes to a close and amid an economic slowdown in the US.



### BRIGHT IDEAS

"Switching off all non-essential equipment in an office for one night will save enough energy to travel more than 100 miles."

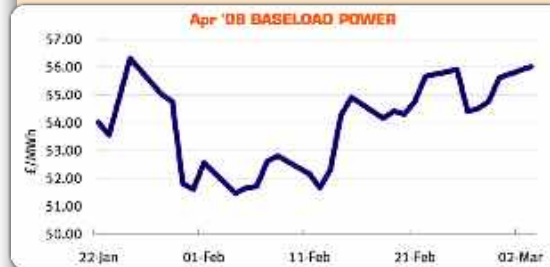
## Bacton fire "cuts off 13% of UK gas supply"

Various news sources have reported that the UK gas import terminal at Bacton remained closed at the end of February while the impact of a fire was being assessed. The fire broke out in a waste water treatment area at just before 1800GMT on Thursday. Firefighters extinguished the blaze within hours but Shell had to shut the terminal for safeue y reasons. A spokespersons; on declined to give any estimate of when the terminal in eastern England might reopen.

## The Outlook

After a week of low liquidity, traders feel it is hard to predict what will happen in the gas market. The continued strength of oil looks set to support the curve and March weather forecast will be one of the decisive factors on the prompt. Forward prices could remain firm throughout Europe, as oil is still strong. This underlying support looks set to continue and this could place a floor on any medium term price levels.

## Power



Along with gas, coal and oil; electricity prices enjoyed a bullish period with winter and summer forward prices lifting in value. Despite low liquidity and with the forward curve prices in coal, surging in value there were few in the market willing to be caught in short positions for the coming year.

On the prompt prices fluctuated on a weekly basis with the changing weather conditions and the impact of outages.

## Gas



The curve was bullish for the period as both oil and coal had resurgence in values and gains were seen in both the front and far curve.

On the prompt forecasts of colder weather in March together with the impact of outages to the import capacity saw a lift in day ahead prices