

A summary of National Grid's Winter 2009 Outlook

- ✓ Winter temperatures are likely to be near or above average;
- ✓ Forecast demand of 54.1 bcm is 2.5% lower than weather corrected actual demand in winter 2008;
- ✓ UKCS supplies are slightly down from last year and are expected to make up 50% of non storage supplies;
- ✓ Norwegian imports are expected to be in line with last year's flows of 100 mcm/d;
- ✓ BBL is expected to import on average 20 mcm/d, down 10 mcm/d from last year;
- ✓ The IUK may be at float or in export mode due to lower UK demand and increased LNG availability;
- ✓ Oil and coal futures show a small increase in price with gas also increasing albeit from a comparatively low starting point;
 - The seasonal increase in gas prices is not as high as in recent winters
 - National Grid estimate US Henry Hub prices for the winter being similar to European prices, providing limited incentive to deliver spot LNG cargoes to Europe with preference to the US

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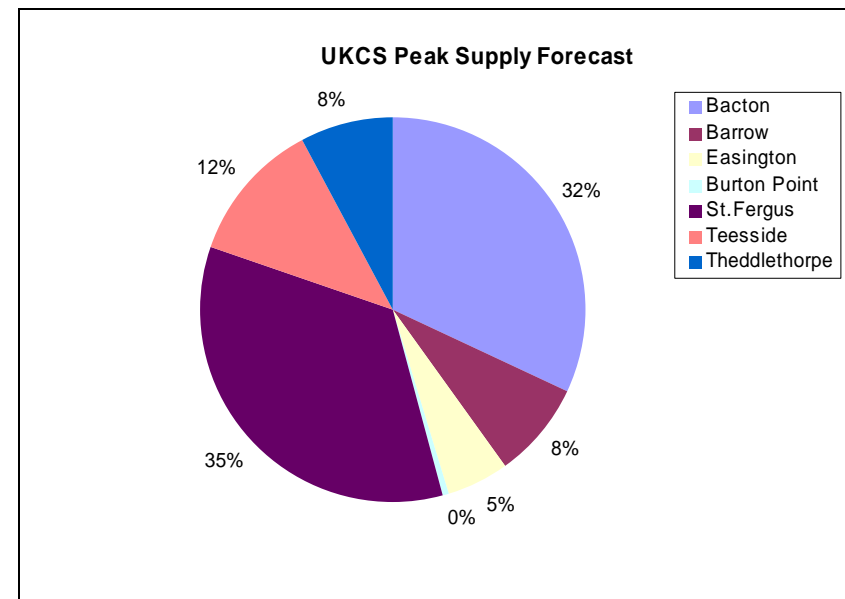
Weather

At the end of September, the Met Office issued its early indications for winter 2009. They suggest that winter temperatures are likely to be near or above average over much of Europe including the UK. Still, there is a 1 in 7 chance of a cold weather.

Supply

One of the largest supply uncertainties for winter 2009 is the availability of LNG imports. The current high availability of LNG is due to reductions in global gas demand combined with new production capacity. If global gas demand increases, the amount of LNG that comes in to the UK could reduce as other countries with contracts for LNG take precedent. Whilst potential LNG flows could exceed 100 mcm/d, National Grid expects flows much lower than this for most of the time. National Grid assumes a provisional range of 10-60 mcm/d with average flows of 30 mcm/d.

UKCS supplies are expected to be lower for the coming winter than winter 2008 with reduced flows mainly from St.Fergus, Theddlethorpe and Easington. Taking into account the decline from existing fields and additional production from new fields, National Grid's year on year peak forecast is 6% (13 mcm/d) lower this winter than for last year.



Total: 203 mcm/d
 Total with 90% Planning Assumption: 183 mcm/d

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Norwegian production is expected to increase from 55 bcm to 58.1 bcm due to higher availability from the Kvitbjorn Field; Langed ramping up throughout the winter and the start up of several smaller fields. For the UK, National Grid forecast an average flow from Norway of 100 mcm/d in line with last year's deliveries. Flows to the Continent are expected to increase from last winter to levels similar to those seen during winter 2007.

National Grid assumes that the Interconnector (IUK) will respond to UK/Continental price differentials and operate as a marginal source of supply similar to storage when the UKCS and other imports have not met demand. Due to a combination of lower UK demand and possible higher LNG availability, the threshold for IUK imports may be at higher than normal UK demand level.

BBL imports are expected to be lower than last winter, down 10 mcm/d to 20 mcm/d, reflecting the increased "commercial" behaviour observed during the past year. Still, flows may potentially be higher for tighter supply conditions.

Overall, non storage gas supply will be in the range of 336-386 mcm/d with a base case view of 343 mcm/d and further upside potential from LNG and IUK imports.

Demand

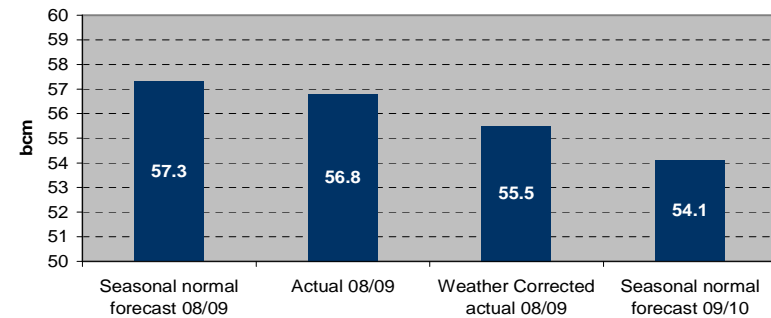
Total demand is expected to be lower than during winter 2008. The new forecast is 4.8% lower than actual demand during last winter and is in the context of the severe recession.

The NDM forecast for this winter is 5.9% lower than actual demand in winter 2008, reflecting the continued trend for lower NDM demand brought about by the recession and efficiency measures driven by higher consumer fuel prices.

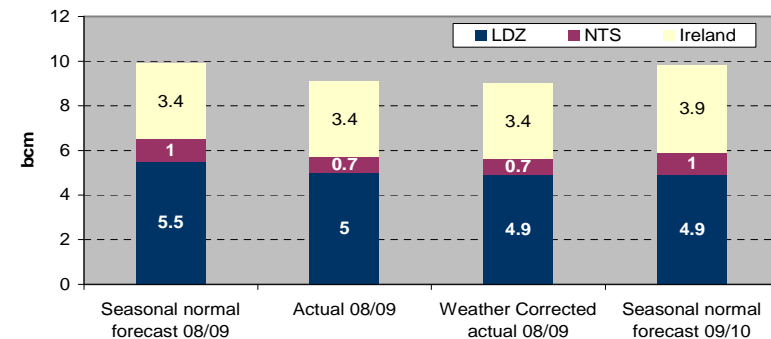
LDZ DM demand is forecast to be similar to the weather corrected demand in winter 2008. Export to Ireland is expected to increase with new power station demand and a decrease in local production. Consumption of two large NTS industrial end users, which was significantly reduced last winter, has returned to normal, increasing the NTS DM demand by 0.3 bcm.

Both gas and non-gas power generation capacity has increased this winter, creating a wider range of potential gas demand for power generation. Coal is

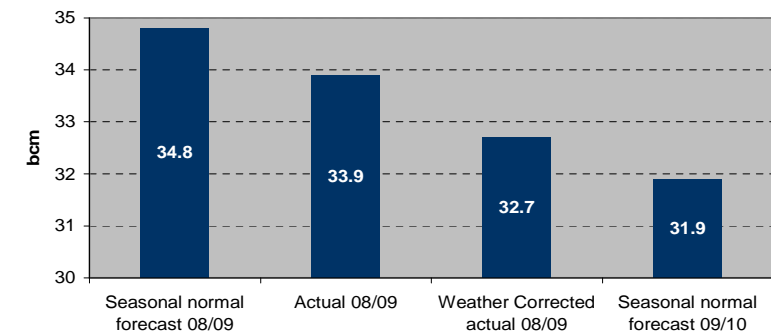
Total Winter Demand



DM Winter Demand



NDM Winter Demand



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predicted to be base load with gas providing marginal generation. Lower demand for electricity due to the recession and higher non-gas generation results in a gas forecast 3.3% lower than the forecast for winter 2008 and 9.8% lower than the actual demand in winter 2008. However, if gas prices remain low, gas demand for power generation may typically increase by 20 mcm/d.

National Grid's preliminary assessment of storage requirements for the Safety Monitors for this winter is lower than last, at around 100 mcm of storage space and 60 mcm/d of storage deliverability. Changes have also been made to the Safety Monitor determination process. Rather than utilising multiple monitor levels covering each different storage level (short, medium and long range), a single aggregated figure covering all storage facilities with two or more days of deliverability will be provided.

Prices

Oil and coal futures show a small increase in price with gas also increasing albeit from a comparatively low starting point.

The seasonal increase in gas prices experienced in recent winters is not as high for winter 2009, resulting in little to choose between coal and gas for base load power generation. As described above, coal is forecast to be base load with gas providing marginal generation.

Wholesale gas prices have historically been closely linked to oil prices, mainly due to high interconnectivity with the Continent where long term gas contract prices tend to be indexed to oil. Additionally, the UK winter gas price usually has a premium associated with it although this year this does not seem to be the case when comparing winter prices with the following summer. Thus, there might be little incentive to flow from storage compared to previous winters.

Current US Henry Hub prices for this winter are now similar to UK and Continental Europe prices, providing limited incentives to deliver spot LNG cargoes to Europe in preference to the States. Beyond winter 2009, US and European prices are more aligned to the oil price.

