

## Gas Prices

July 2016

Centrica have just announced (15 July 2016) that they are closing their Rough gas storage facility for the rest of the summer and early autumn due to technical issues.

Rough gas facility accounts for 70% of the UK's gas storage. It normally fills in the summer months, and delivers into the gas network in the winter period to meet peak demand. Currently, at time of closure, it is only 34% full. Other supplies of gas are from the North Sea, through pipelines with mainland Europe, other UK storage facilities, and Liquefied Natural Gas (LNG) delivered by ship. Rough storage can normally supply up to 10% of winter peak gas demand.

If Centrica opens the facility at the beginning of November 2016, depending on the severity of the winter, the storage facility may be empty by around January/February 2017.

Due to the significant programme of closures of coal fired electricity generation, the UK is dependent on gas fired power generation to maintain the supply of electricity to the UK. Therefore substantial industrial users of gas will very likely see demands from National Grid to stop taking gas supplies for periods of peak demand in order to ensure that there are sufficient supplies going to domestic and essential users.

Until the end of last week, wholesale energy prices had been on a slow downward trend. However the effect of this winter supply uncertainty has inevitably seen a 5 to 10% jump in wholesale prices for Winter 2016/7 gas and electricity prices (as at 18 July 2016).