Possible Gas Supply Issues Next Winter

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Since the closure of the majority of coal fired electricity generation plants in the UK, the main source of electricity generation is from gas. Other sources of generation, such as wind, solar and nuclear, play a part but the preferred method is gas.

The biggest demand for gas is during the colder winter months and particularly quarter 1. To meet the demand for gas, supplies come in from the North Sea, gas imports from Norway and Holland, from LPG (liquefied petroleum gas) and from gas in storage.

Over 70% of the storage is at a single location called Rough. This storage facility is filled in the summer months and used to top up the gas network to meet demand during winter.

The owner of the facility, Centrica, has just announced that due to technical and commercial issues, it will close Rough storage. Any remaining gas will be slowly delivered to the gas network over the next few years.

There has been relatively little investment in new gas storage over recent years. The result of this lack of investment together with the closure of Rough is that there is a risk that the UK could possibly see higher winter gas prices and greater price volatility, particularly if there is a cold snap. There is also an increased risk that there will be supply interruptions to large and possibly medium sized users during period of high demand.

What can you do about this? Ensure that you have risk mitigation plans in place if there is a gas supply interruption. Can you reduce your usage or use alternative fuels? Ask your supplier or your energy broker to keep advised of price and supply developments.