Market Knowhow

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IndigoSwan

ISO 9001 REGISTERED FIRM

INVESTORS IN PEOPLE

“We are Indigo Swan, energy contract enthusiasts.

Our tailored service fuses relentless efficiencies with a colourful personality,
and an unflinching commitment to finding a better way.
We’re proud to be exceptional.

This, together with our world class team, is what makes our service award-winning.”

Prepared by Lee Hart

01 Overview

As of the 9th November, Gas and Electricity Year Ahead Wholesale costs were lower when compared to last month's report.

Oil is $70 a barrel from $83 last month. There had been a considerable amount of concern built into the Oil price due to the sanctions by the US on Iran and anticipated shortages. In the lead up to this, it was reported that Russia and Saudi Arabia had increased production and the US having higher than expected stocks. The US also announced a six-month exemption for eight countries, from the ban on buying Iranian Oil. These factors and the potential slowdown in world economic growth due to trade disputes, have helped ease Oil prices.

A lower demand from Europe and high stocks, helped lower the price of Coal. It is anticipated that additional supplies will be available from Australia and South Africa in the coming months, which will hopefully provide stability, to what is generally an erratic market.

Gas storage is almost full at 86%, although this now excludes the much larger Rough facility, which has effectively closed. This reduced capacity makes us vulnerable to prolonged cold spells, as experienced earlier this year, when storage became depleted and prices increased. We have seen the resumption of LNG deliveries, with the UK price being more attractive than the Asian, where shipments were previously heading.

Electricity prices are lower with more positive fundamentals. As Gas and Coal prices are down, this allowed for lower generation costs, as did the continued high contribution of cheaper Wind at 17% of supplies. Coal accounted for a small but important 4%.

What does this mean for me…

Although prices are coming down, they are still high. There is a premium built into 2018 / 19 Gas and Electricity costs, illustrated by lower prices for periods further out. This makes longer term contracts more attractive, which is not likely to change significantly in the short term.

There is a great deal of uncertainty as to which way prices will go in 2019, especially with Brexit discussions entering a crucial phase and the unknown effect this will have on the £. The National Grid have said that Brexit will not impact our Interconnectors to Europe, providing some reassurance. Sentiment is often a big factor for Wholesale costs.

The impact of higher third-party costs is increasingly noticeable in Electricity contracts. These include, Transportation, Distribution and government policy levies. It is estimated that the Wholesale element makes up in the region of 42% of the Electricity bill and that is excluding the supplier margin, metering and VAT.

We would be happy to research your options for 12, 24 and 36 month contracts.

Please contact us on 0333 320 0475 to discuss options.

02 Gas Market

On the 9th November, the Gas Year Ahead Wholesale cost was 60.72 (p/th), from 66.10 (p/th) in last month's report and 24% higher than 2017.

Gas prices followed Oil, as there are some contractual links, but an improved domestic position also provided some price relief.

Although we do not have the larger Rough storage facility to relieve higher demand this Winter, good levels of Renewables and regular LNG deliveries, have allowed the storage facilities available to be topped up, and are currently 86% full. More LNG is on its way, although there is always the concern that heading into the Winter, a significant cold spell or an unexpected interruption to supplies, will deplete resources and impact on prices.

The lower Gas price encouraged more use for generation in October at 42%, from last month's 34%.

Let us know if you would like us to research your options for 12, 24 and 36 month contracts.

03 Electricity Market

On the 9th November, the Electricity Year Ahead Wholesale cost was 58.90 (£/MWh), from 62.69 (£/MWh) in last month's report and 22% higher than 2017.

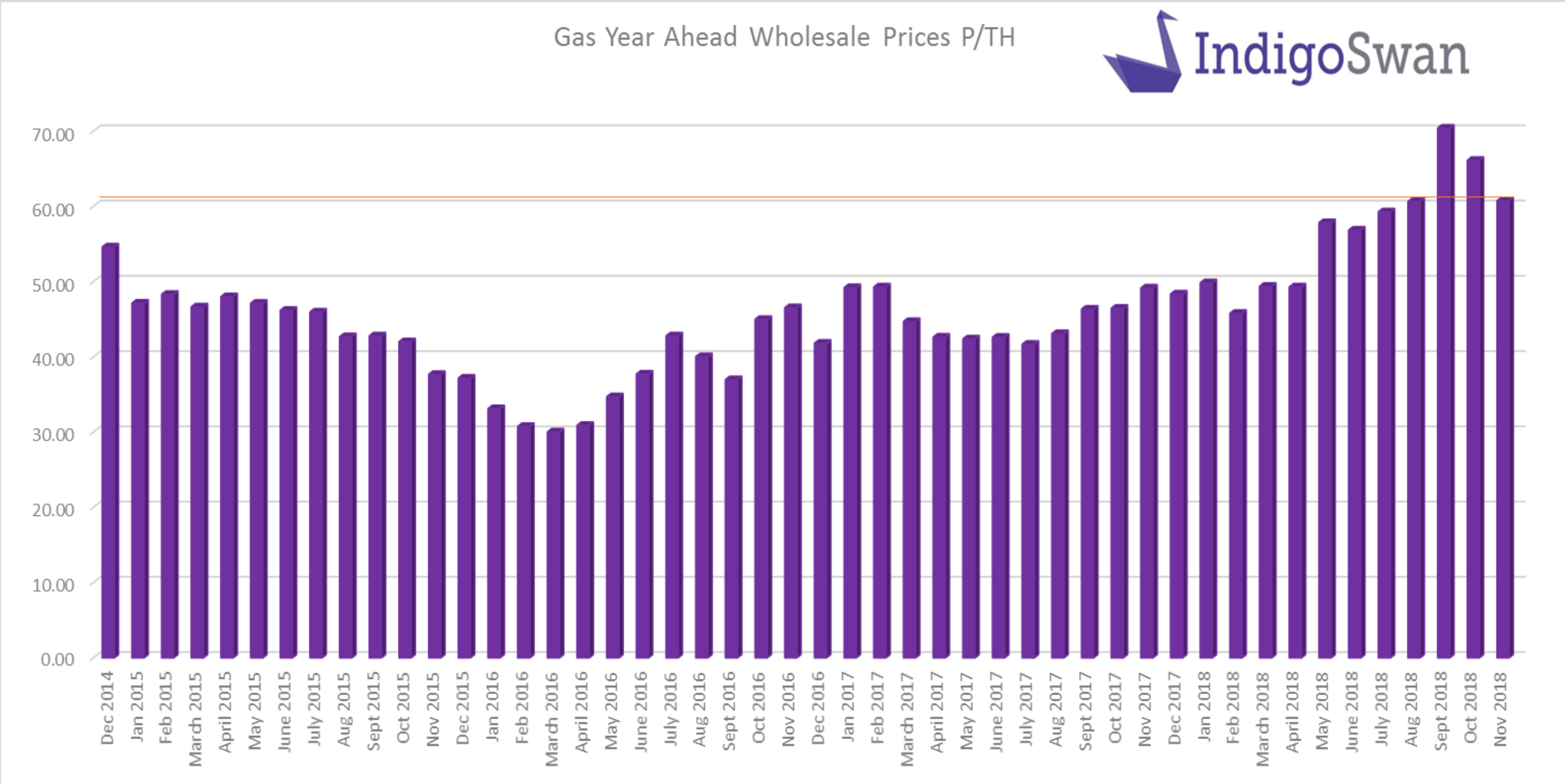
With more Gas being available and at a lower price, this was a main reason for the reduction in Electricity costs. Gas contributed 42% to generation from 34% the previous month.

We have started to see the impact that the considerable Renewables assets can have to reduce our reliance on other fuels, by replacing with cheaper Wind and Solar generation. Wind accounted for a high 17% in October.

Wholesale costs are currently lower further out, illustrating both the premium built into 2018 / 19 prices and a more positive outlook. The National Grid believe we should have a comfortable supply / demand position through the Winter.

Third Party Charges continue to increase regardless of how the Wholesale element changes, which has been very evident as we look to secure contracts for customers. These charges typically pay for the mechanisms which secure generation at peak periods.

Let us know if you would like us to research your options for 12, 24 and 36 month contracts.



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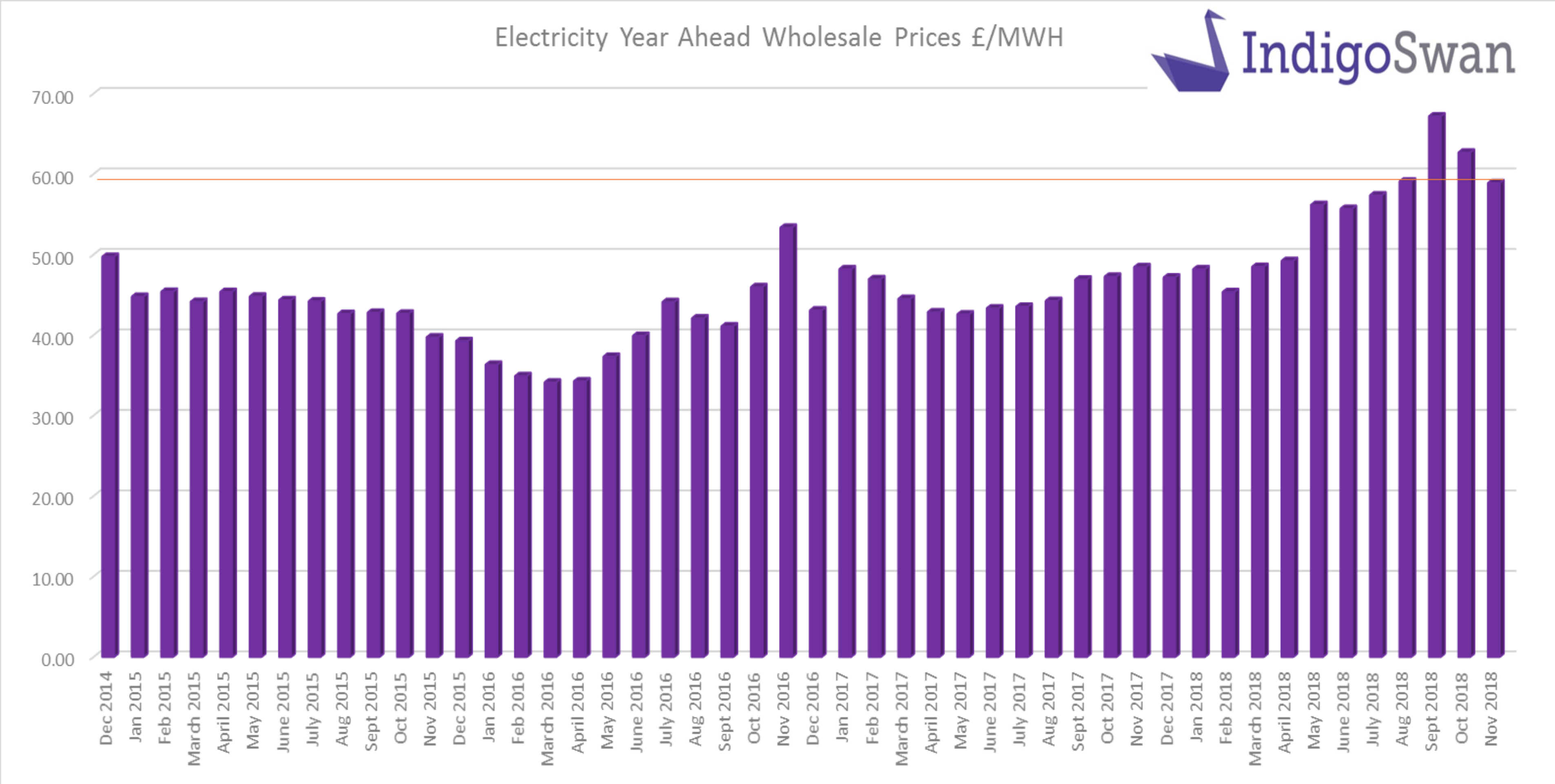

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