

Market Knowhow

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IndigoSwan



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IN PEOPLE

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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.

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Prepared by Lee Hart

01 Overview

As of the 14th January, Gas and Electricity Year Ahead Wholesale costs were lower when compared to last month's report.

During the last month, Oil fell to \$50 a barrel, due to a global oversupply and concern of a slowdown in world economic growth. This was despite OPEC and Russia having announced large Oil production cuts from January, in an attempt to avoid further losses. More recently, discussions between the US and China regarding their trade dispute, may not have shown a breakthrough, but has provided enough optimism to see Oil back at \$59.

There has been little change in the Coal price. Although the logistical issues that had reduced Germany's use have been resolved, China's slow move away from Coal, countered the impact.

LNG deliveries continued to be an important source of Gas, accounting for 16% in December 2018, from 2% in December 2017. These deliveries are being made to Europe due to the attractive high price when compared to the Asian market. Our Gas storage level is 85% full, which excludes the much larger Rough facility, which has closed. This makes LNG deliveries an important source through the winter to meet higher demand. There have been a number of deliveries so far in January with more planned.

A cheaper Gas price meant a lower Electricity generation cost. Gas made an increased contribution of 41%, whilst Wind fell slightly, but was still significant at 18%. Coal remains a small but important source, despite the intention to close Coal power plants by 2025.

What does this mean for me...?

Wholesale prices have continued a slow steady fall to levels last seen six months ago, but are still much higher than those through 2015 to 2017. There is a premium built into 2019 Gas and Electricity costs, illustrated by lower prices for periods further out. This makes longer term contracts more attractive, something that is not likely to change significantly in the short term.

The Met Office is forecasting a possible cold spell in the next month, which would add pressure to prices.

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

The influence 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 50% 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 14th January, the Gas Year Ahead Wholesale cost was 55.69 (p/th), from 60.19 (p/th) in last month's report and 12% higher than 2018.

The large numbers of LNG deliveries so far this winter have been a welcome source of supply, replacing what may previously have come from storage. There is optimism that these will continue, with shipments already made in January and more booked. The growth in Renewables also meant less Gas was needed for generation, when compared to recent years.

There is less of a contractual link between Gas and Oil prices, but with Oil down slightly, this has also been a contributing factor in lower Gas prices.

Gas storage levels have previously had a significant impact on Gas and Electricity prices and although our capacity has substantially reduced, it is 85% full. This could be an important source with a cold spell forecast for later this month.

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

03 Electricity Market

On the 14th January, the Electricity Year Ahead Wholesale cost was 56.98 (£/MWh), from 59.57 (£/MWh) in last month's report and 18% higher than 2018.

Wind continued to make a significant contribution at 18% of generation, which replaced some need for more expensive sources, such as Coal. With large numbers of LNG deliveries helping to suppress the Gas price, its use increased from 38% of demand in November to 41% in December.

It is anticipated that Nuclear capacity will return this month, which could be an important factor with a cold spell forecast, adding pressure to the Gas price and likely reducing Wind generation.

Wholesale costs are currently lower further out, illustrating both the premium built into 2019 prices and a more positive outlook. The National Grid believe we should have a comfortable supply / demand position through the Winter.

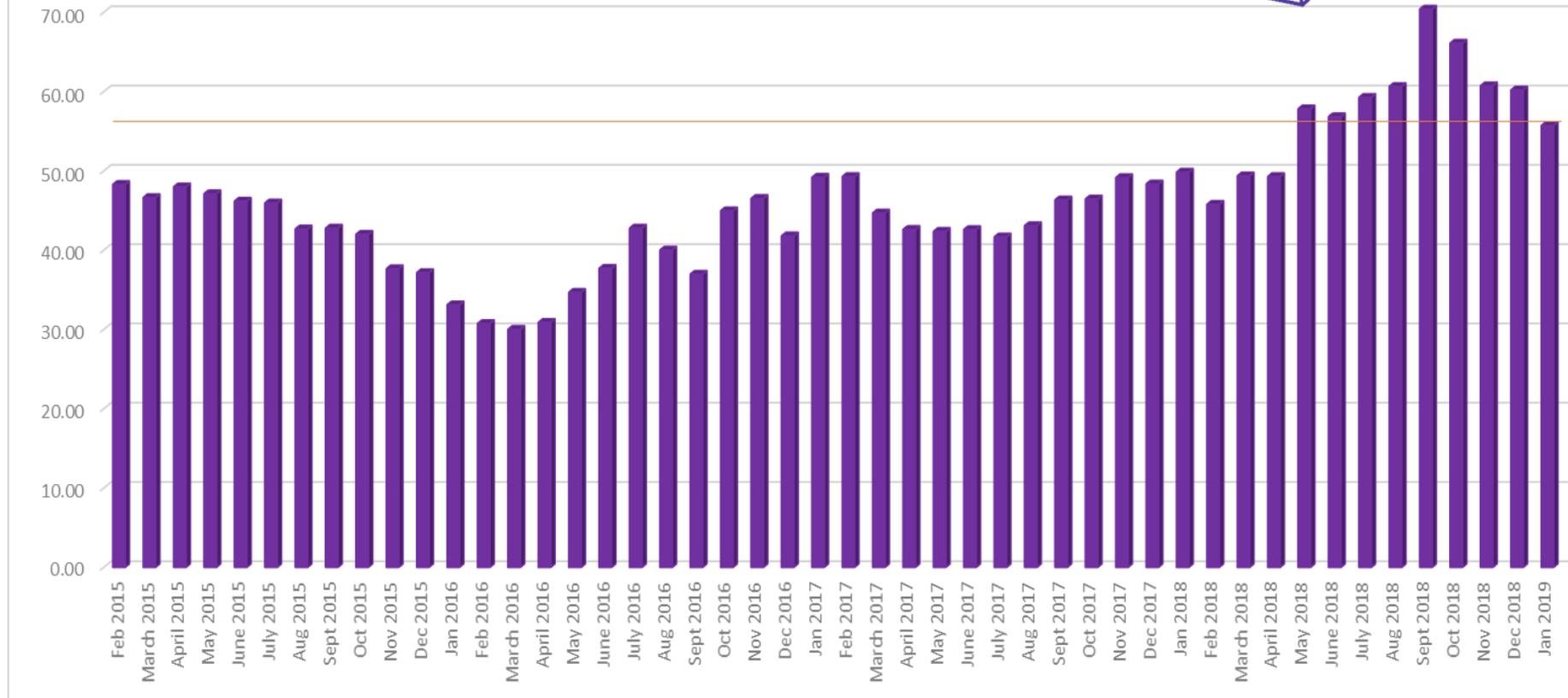
Third Party Charges continue to increase regardless of how the Wholesale element changes, which has been very evident as we look to secure contracts for customers. These charges typically pay for the mechanisms, securing generation at peak periods.

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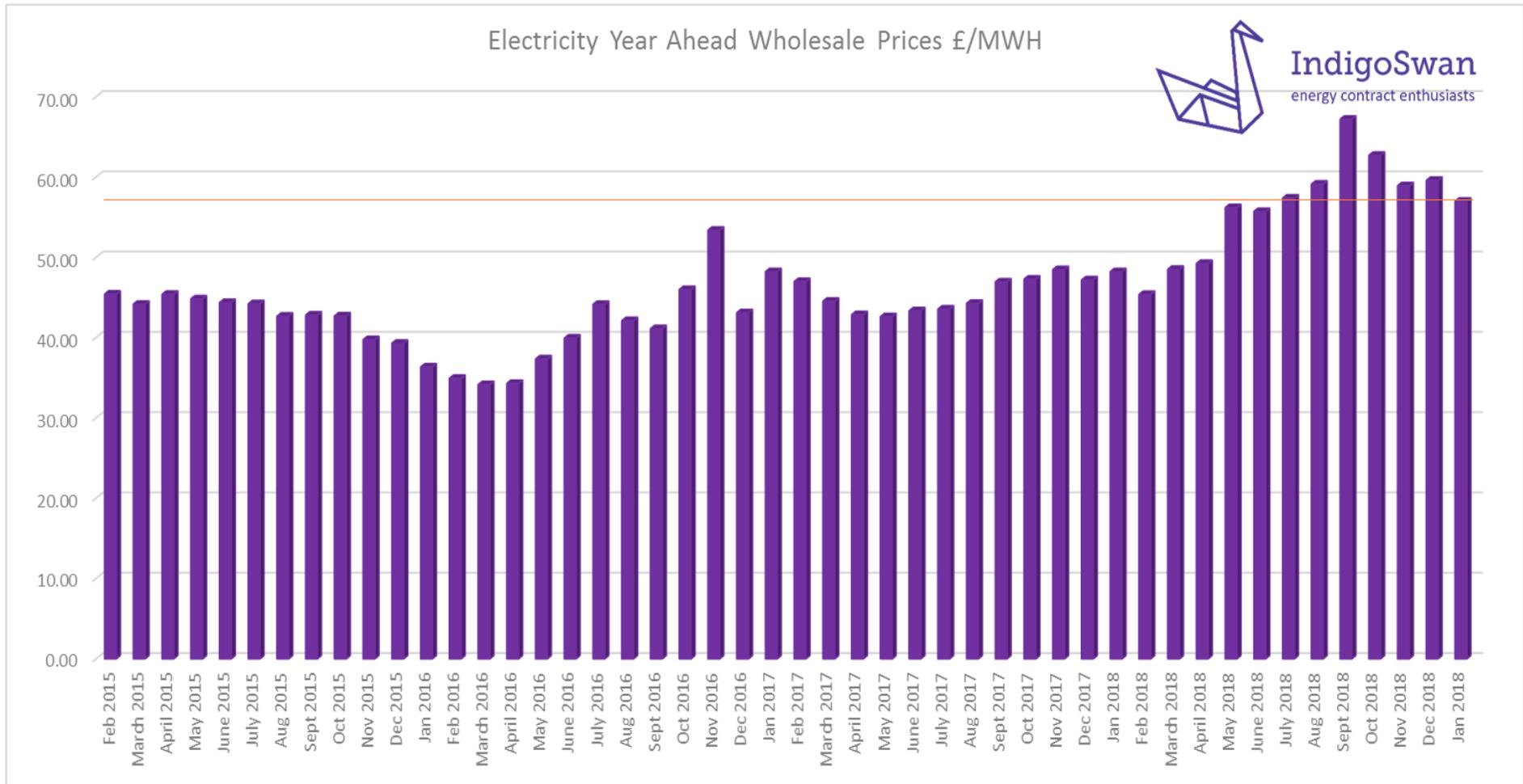
Gas Year Ahead Wholesale Prices P/TH



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