



Market Knowhow

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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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01 Overview

As of the 13th March, Gas and Electricity Year Ahead Wholesale costs were lower when compared to last month's report.

There has been good compliance with the OPEC Oil production cuts, which are in place until at least June 19. These along with US sanctions against Iran and Venezuela, have helped push Oil prices higher from \$61 a barrel last month to \$67, despite record US Oil production and slowing economic growth forecasts for China and Europe.

A lower demand for Coal and higher stocks helped reduce prices further, although with other cheaper sources of generation being available, our use slipped to just 3% of supplies.

Milder weather reduced the demand for Gas, certainly when compared to last year, when the Beast from the East stretched resources. Gas storage levels are at 53% full, from 58% last month, but were just 21% last year. A considerable improvement. Temperatures are due to be around the seasonal normal, with unsettled windy conditions, meaning Renewables may continue to relieve some of the generation burden from Gas.

A mix of generation sources meant Electricity prices fell. Cheaper Gas, a good supply of Wind, increased Nuclear and Imports, were all factors, as well as less demand for expensive Coal. A number of Nuclear assets are currently offline, which could further ease prices as they return.

What does this mean for me...?

Wholesale prices have continued a steady fall towards 2017 levels.

Much of the premium that was built into 2019 prices has now been eroded, with similar 12, 24 and 36-month, Wholesale costs. This would indicate better value for contracts for all three periods.

The Met Office is forecasting unsettled weather over the next few weeks, but little indication of a substantial cold spell, removing concern for a spike in Gas and Electricity demand.

There is 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 a Brexit deal will not impact on our Interconnectors to Europe. There is more uncertainty as to what may happen if there is no deal, which at this time is still a possibility. Sentiment can be 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, 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 13th March, the Gas Year Ahead Wholesale cost was 46.87 (p/th), from 51.11 (p/th) in last month's report and 5% lower than 2018.

LNG deliveries continued through February and into March, accounting for a high 17% of Gas supplies. Shipments are attracted to Europe due to the higher price available here, compared to Asia. Although there were other unplanned Gas outages, LNG provides a cushion against tight supply margins.

The increased contribution to Gas supplies supported storage levels. At over 50% full, the industry has more confidence heading into the warmer months, due to a reduced amount of topping up required.

With Renewables being less reliable and Coal expensive, the availability of LNG to help meet demand, means less pressure on supplies, lower Gas prices and lower Electricity costs through Gas generation.

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

03 Electricity Market

On the 13th March, the Electricity Year Ahead Wholesale cost was 50.73 (£/MWh), from 53.68 (£/MWh) in last month's report and 5% higher than 2018.

Wind contributed an improved 18% of generation, as did Nuclear at 19%. These levels are likely to remain similar in March, continuing to reduce the need for expensive Coal, which met just 3% of demand in February. Coal generation is due to end by 2025 to help meet carbon reduction targets.

Gas contributed a lower 42% to generation, with a more diverse supply mix. This now includes an additional Interconnector between the UK and Belgium, allowing us to import or export Electricity. Although we have other Interconnectors, NEMO met 2% of our demand in February.

2019 contracts are now showing better value, as demonstrated by the reduction in the difference between these and 2020 and 2021 prices.

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.

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



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Water Market

Since the 1st April 2017, it is estimated that 1.4 million sites have had the freedom to choose the Retailer for their Water and Wastewater retail services.

This means, you can contract your Water services in a similar way to how you already negotiate your Gas and Electricity costs. The local Wholesaler, who provides the Water and takes away your Wastewater, will remain the same, but the key difference is that you will be able to choose the Retailer to handle your meter reading, billing and customer services.

A further significant change, is that a range of new licensed Retailers continue to join the market and these new-entrants are competing against the existing, established Wholesalers, some of which also set up as Retailers.

There has been consolidation amongst Wholesalers to form larger Retailers and indeed Thames and Southern sold their customers, not wishing to enter the market. The largest Retailer, Water Plus, consists of the former United Utilities and Severn Trent. Wave, being Anglian and Northumbrian. Castle Water, includes Thames and Portsmouth. More recently, Business Stream have bought Yorkshire Water's customers, making a Big Four in the market, with an 80% share. There are now nineteen Retailers and eight organisations with Self Supply licenses.

Despite the large number of customers who can access competition, only about 4% of Water and Sewerage supply points switch Retailer annually and 6% by Water volume. Market research shows a lack of interest by customers and brokers, after the initial enthusiasm. The monthly rate of switches is holding in the region of just 9,000.

Just 10% of the Water bill is for the Retailer services, so they have very little scope to offer significant reductions, as the other 90% are fixed. Industry feedback so far has been that through switching, the benefit is potentially just 0.5% to 2%. As an example, if you spend £150,000 each year, you may save between £750 & £3,000 per annum. We have seen examples of misleading headline claims of savings, which when you look at the details, clarify the reduction is purely a % off the 10% retail element and far less attractive. There are also large numbers of complaints directed at Retailers.

The rewards at this stage for carrying out a full tender exercise are limited, but it is hoped that in time, as happened in Scotland, the % saving opportunities will increase.

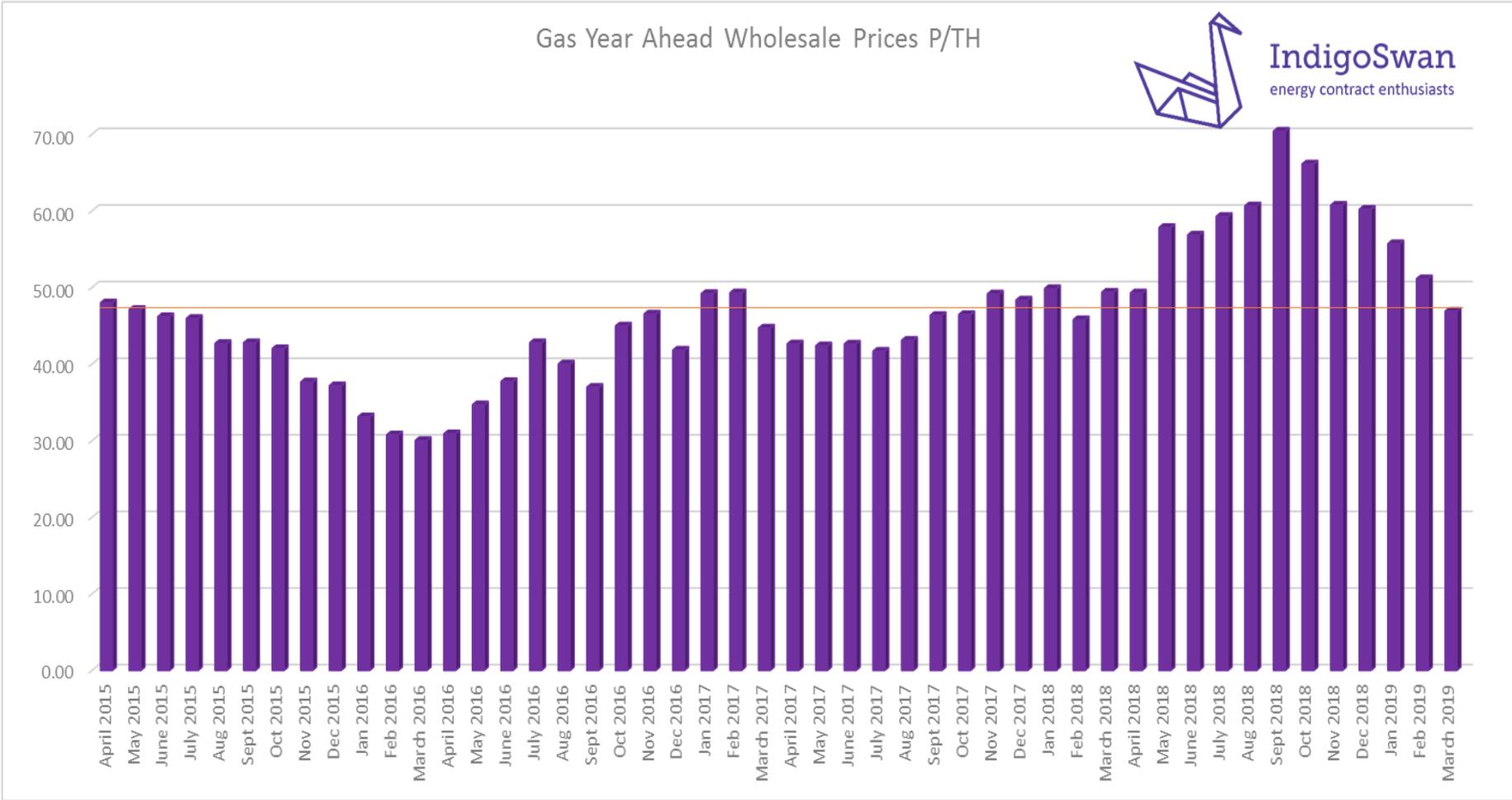
Those companies that do wish to engage, may at this stage be better advised to contact their Retailer and look for short term price reductions and added value services, such as better billing.

Market research suggests, some Retailers have expanded too fast, causing a drop-in service levels, providing an incentive for customers to look at other options, rather than focus on a cost benefit.

Please do not hesitate to contact us to discuss further or if you want us to test the market for you.

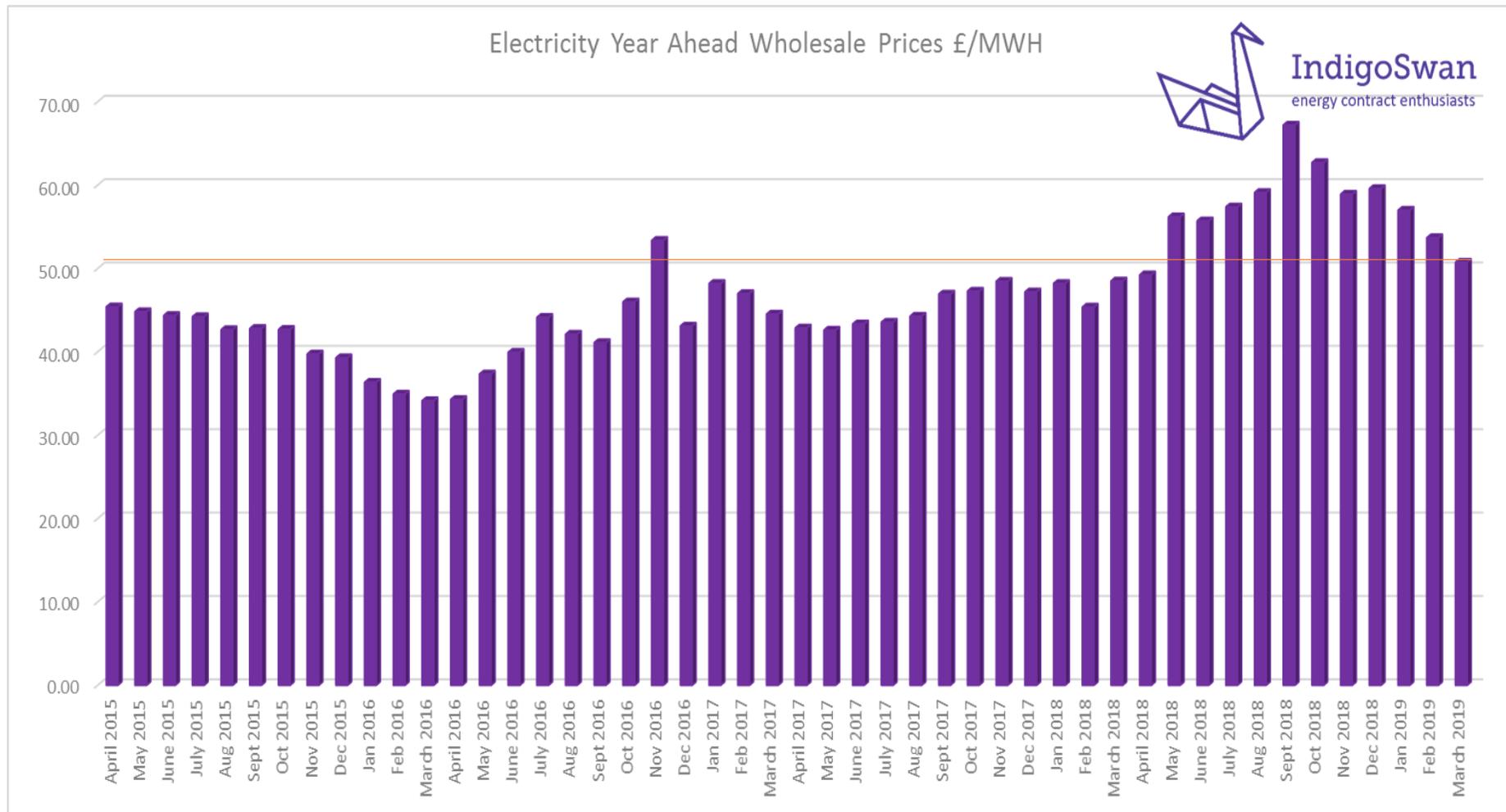


Gas Year Ahead Wholesale Prices P/TH



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