Market Knowhow

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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."

01 Overview

As of the 10th May, Gas and Electricity Year Ahead Wholesale costs were slightly lower when compared to last month's report.

Oil is down from $74 to $70 a barrel, which influences our Gas price, due to contractual links. US production is at a record high, whilst OPEC, a four-year low. This is an attempt by OPEC to inflate prices. They meet in June to discuss future policy and potentially increase supplies to replace those lost through the Oil sanctions against Venezuela and Iran. Trade talks between the US and China are faltering, giving a more negative outlook for economic growth.

A lower global demand for Coal and higher stocks helped reduce prices further, although with other cheaper sources of generation being available, our use slipped to just 1% in April.

The outage of an Interconnector which allows us to export Gas to the continent and the warmer weather, meant that Storage levels increased to 61% full, from 45% last month and just 34% this time last year. LNG deliveries have stabilised prices, despite the recent below seasonal average temperatures.

Although the contribution of Wind fell from 21% in March to 16% in April, the availability of cheaper Gas and additional Nuclear capacity, made up the shortfall. This diversity of supply allows a degree of resilience when faced with unexpected events.

The Met Office is forecasting colder weather in the short term with the potential for milder unsettled conditions later in the month. This will likely mean Wind's contribution will be lower than recent highs.

There is uncertainty as to which way prices will go due to domestic and global political instability and the 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 is still a possibility. Sentiment can be a big factor for Wholesale costs.

What does this mean for me…?

Wholesale prices are going through a period of relative stability, after steady losses from September 2018. These are still high when compared to 2015 – 2017 but do represent around twelve-month lows. Our graphs show that historically, May generally offers competitive prices, so this could be a good opportunity to secure 2019 contracts.

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 45% 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 10th May, the Gas Year Ahead Wholesale cost was 46.53 (p/th), from 47.93 (p/th) in last month's report and 19% lower than 2018.

In April we had a record 19 LNG deliveries and for a period, the Interconnector which allows us to export surplus supplies was shut down. This provided an opportunity to divert Gas supplies into Storage, which are 61% full, from last month's 45%.

Gas provided a high 45% of generation in April due to a lower Wind contribution, which has continued into May. This extra demand does apply a pressure to Gas supplies and prices.

The current Oil price volatility impacts on Gas due to contractual links.

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

03 Electricity Market

On the 10th May, the Electricity Year Ahead Wholesale cost was 51.57 (£/MWh), from 53.32 (£/MWh) in last month's report and 8% lower than 2018.

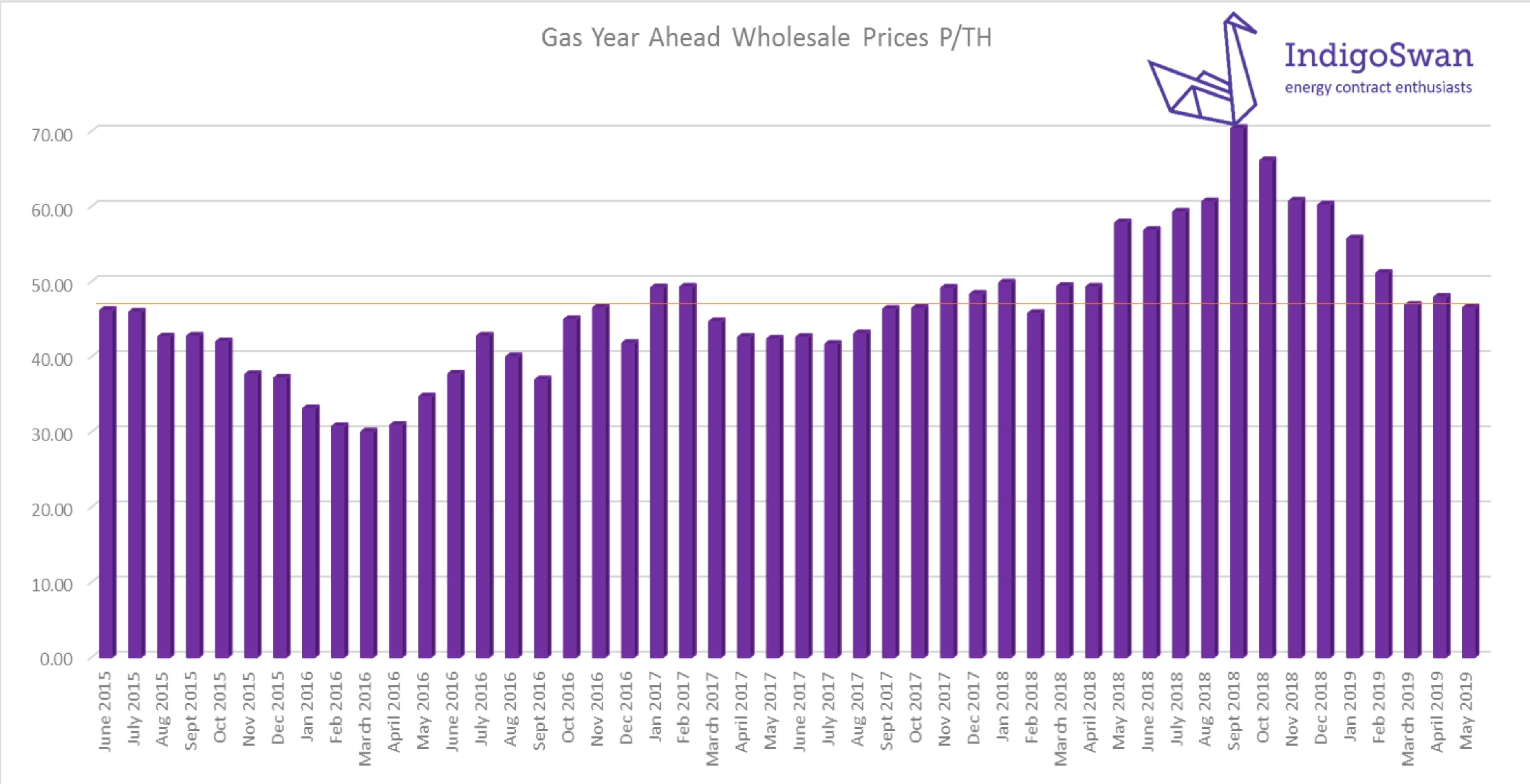
This decrease was despite Wind having a reduced contribution from 21% in March to 16% in April. So far this is just 12% in May.

The shortfall was partially met by Gas at 45% from 39%. As the cost of Gas was lower, this also helped reduce Electricity. The diversity of supplies, including 8% from Interconnector imports, does mean that we are less reliant on traditional sources and have more options to meet demand.

Coal generation will end by 2025 to help meet carbon reduction targets, providing just 1% in April. In May we went eight consecutive days without using Coal, the first time since 1882.

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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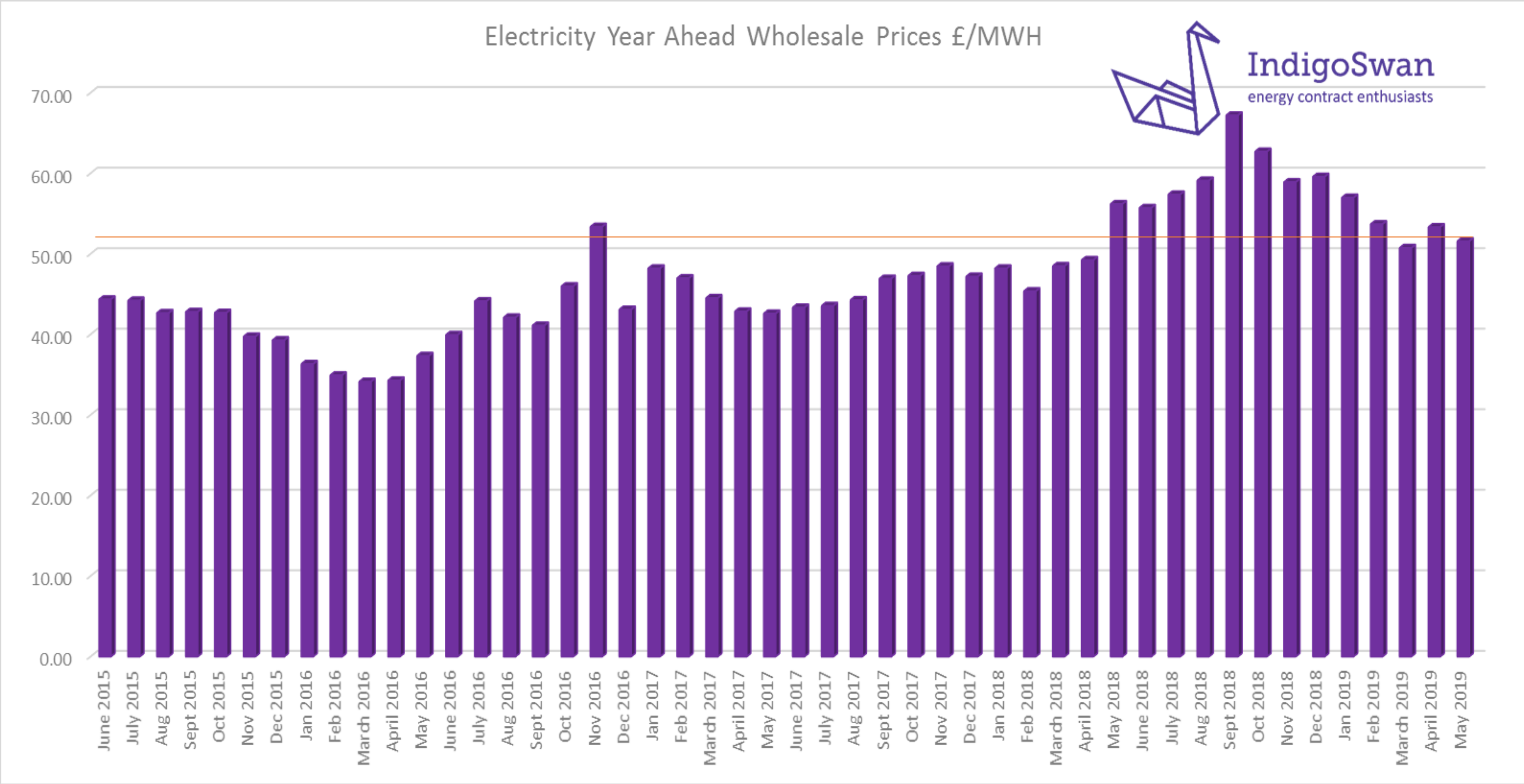

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