

Your Quarterly Report

June - September Key Themes

UK energy prices have continued relentless price increases recently. The following key themes have occurred last quarter;

- Significant rises in wholesale gas and electricity prices
- Warmer than average summer and we are still feeling the effects from the Beast from the East
- Oil prices have continued to rise
- Continued uncertainty from Brexit discussions
- Ongoing geo-political unrest in Middle East

Key Themes

Trends and features

The Market

Gas & Electricity

UK Updates

Influencing

Last words...

Round up

The Market

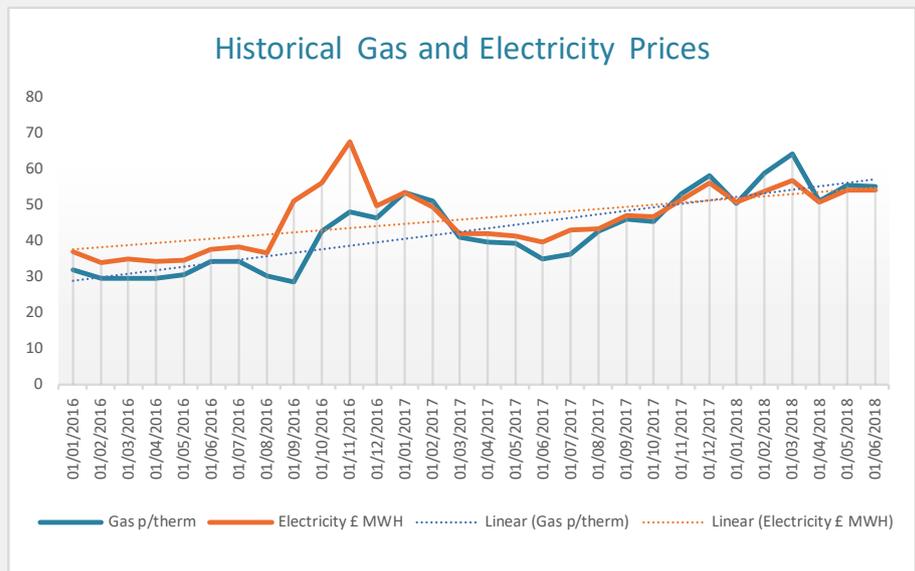
Electricity

The last time we saw power prices this high was in 2016, and although the summer was warm, wind generation was poor resulting in further pressure.

Power demand has been higher than usual. As the UK turns more to rely in intermittent renewable generation (wind) we will see higher prices in extreme weather conditions.

Gas

Although August and September have not been as warm as early summer, demand for gas has remained high – primarily for gas fuelled electricity generation – and to help make up shortfalls in storage. The last time we saw gas prices this high was in the winter when we experienced extreme cold weather. We have also had several supply interruptions which haven't helped the situation, and we are still recovering from pressure applied to gas storage from the Beast from the East earlier this year.



Information gathered from <https://www.ofgem.gov.uk/data-portal/electricity-prices-day-ahead-baseload-contracts-monthly-average-gb>



UK Updates

Other Factors impacting energy prices...

Exchange rates

The last quarter has seen strengthening dollar against the pound – as crude oil is priced in dollars importing cost has increased. £ has remained weak against the Euro.

Cost of Coal

Remained fairly static through the quarter – use in UK power-plants is reducing.

Brexit

Ongoing uncertainty of soft or hard Brexit continues to create uncertainty.

Weather

Seasonally warm summer leading to reduced amount of gas usage, but increased usage of electricity (air conditioning primarily).

Storage and transmission

Non commodity costs forecast to increase from 46% to 56% of total energy costs by 2022. In addition, the closure of the UK's main gas storage facility mid-2017 has left the UK more reliant on gas imports from liquefied natural gas (LNG) ships and imports from Europe.

Previously, the UK used to inject gas into the (now closed) storage facility in summer for us to withdraw in winter, thus reducing our exposure to international demand.

Brent Crude Oil / Opec

Oil prices jumped about a bit during August and ended 7% up overall. We anticipate price rises in the short term and US sanctions continue to bite more aggressively, and suppliers maintain steady output. Medium term we may see an over-supply of oil leaning to prices reducing – although middle east geo-political issues always threaten supply interruptions.



Last Words...

UK Energy prices are continuing to be driven upwards by strong demand for gas. Whilst there may be occasional dips in future prices, short and medium term indications are for prices to remain high and we may see further rises.

We will now also need to keep an eye on the weather forecast for Winter 2018. A severe winter would provide a further shock to prices.



“The business energy market is fluctuating more than ever. We are seeing slight dips every now and again but generally the prices are continuing to rise. With Brexit on the horizon, I think its unlikely that we will see oil prices decrease.”

-Nicole Craven, Senior Energy Consultant

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Supplier Reports

- Npower reported that we are seeing baseload power prices hit peak prices of £80/MWh for this winter. This time last year the prices were as trading as low as £35/MWh suggesting that businesses will start to really feel the price rises once we start to enter the cooler weather
- Domestic energy supplier Bulb announced third price increase this year following the trend set by the big six and smaller suppliers.
- Merger between SSE and Npower has been approved by the competition watchdog. Uncertainties surround current contracts and prices are yet to be announced.
- British Gas declare a dip in profits and customer losses after two domestic price rises this year.