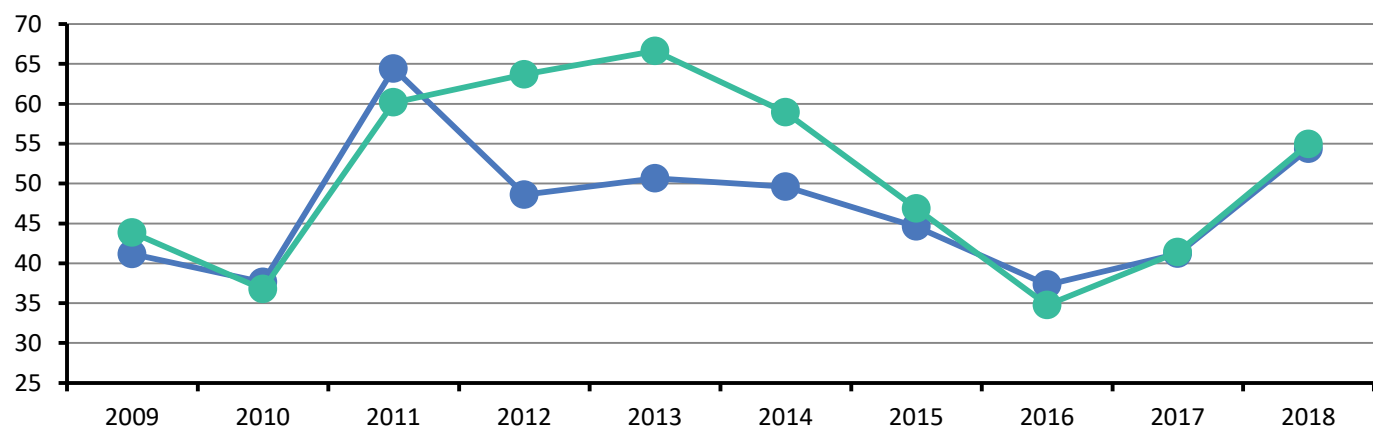


# month on month marketview

ecagroup<sup>o</sup>

Review of  
June  
2018

## Net Cost of Electricity and Gas for a 1st November Contract renewal



**Electricity: base load cost - excludes distribution, taxation and supplier margin and costs**

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
41.15	37.63	64.4	47.06	51.05	48.34	43.65	42.28	43.03	55.11

**Gas: core gas cost - excludes distribution, taxation and supplier margin and costs**

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
43.84	36.75	60.17	61.64	68.18	55.79	45.62	41.28	42.45	57.73

▲ : Indicates that there was an upward pressure on prices. ▼ : Indicates that there was a downward pressure on prices.

### June in summary

June was a bullish month with prices heavily influenced by seasonal demand and maintenance outages.

### Market volatility

Balancing the UK system and the increases seen in the wider fuel complex were the main drivers.

### Weather

The first week of June became increasingly settled, with temperatures rising well above average especially by day in northern and western areas. Eastern coasts were much cooler on some days due to onshore winds. It became less settled from the 9th onwards, and on 13th/14th there were some large rainfall totals in upland areas of western/southern Scotland and north-west England. The middle part of the month saw generally larger cloud amounts, with spells of rain mainly for Scotland, but from around the 21st onwards most areas were sunny and increasingly warm, with numerous locations exceeding 30 °C from the 25th onwards. Some southern areas saw very little rain throughout this month, with less than 2 mm at numerous stations.

### Gas, Storage and LNG News

Gas prices gained value at the start of the month on the back of a rise in demand as a result of the return of the IUK interconnector following annual maintenance. This bullish movement then continued throughout the first part of the month as a number of unplanned Norwegian outages impacted supply and demand. These gains continued towards the end of the month despite the start of the IUK maintenance period which was expected to have a bearish impact. We did start to see some bearish movement nearing the end of the month, however the bulls seized control on the back of maintenance at St. Fergus NSMP, Bacton SEAL and Teeside BP ensured the system was undersupplied.

### Politics and global economics

Sentiment of an eventual interest rate hike appears to have diminished weakening the GBP against a host of currencies.

The latest EU Summit meeting on 28-29 June suggested little progress in Brexit negotiations thus far.

### Oil ▲

June saw oil climb by around 5% at the start of the month as concerns over Libyan and Venezuelan production and US sanctions on Iran outweighed confirmation that Saudi Arabia and Russia would be ramping up production. The OPEC supply meeting in Vienna resulted in heavy pressure subsequently dragging the curve lower. Prices then rallied following the meeting which helped later dated contracts post week on week gains. There were some gains at the back end of the curve at the end of the month in response to the UK Pound losing ground to the Euro. These were short-lived however, as the bearish tide directed by Oil dominated the end of the week.

### Coal ▲

Coal gained value by 4.5% at the start of June to close at \$88.20/tonne. This continued into the second week of the month again closing 5% higher week-on-week, settling at \$84.25/tonne. It took its bullish direction from strong thermal coal demand in China amid continued above normal temperatures are declining hydro volumes. The Australian thermal coal benchmark daily spot price for Newcastle cargoes hit \$114.50/tonne at the end of the month, the highest since November 2016. Strong Asia demand continues to bolster prices as China, India, Japan and South Korea imported more coal in the first five months of this year compared to the same period in 2017.

### Carbon ▲

Carbon prices lost ground throughout June despite firm signals across the rest of the energy complex. A one-month low was reached as higher auction volumes had a bearish impact. Further pressure came on the back of news that EU lawmakers had reached a provisional agreement on a 32% renewable target for 2030. We then saw the product lose value as losses in fuel markets fed through. Prices for EU carbon allowances under the European Emissions Trading System fell below €15/tonne having gained significantly in May.

### Looking Ahead

The storage situation is less bullish than the early part of Summer but key factors such as low LNG and robust gas for power will push prices higher as the above norm temperatures continue.

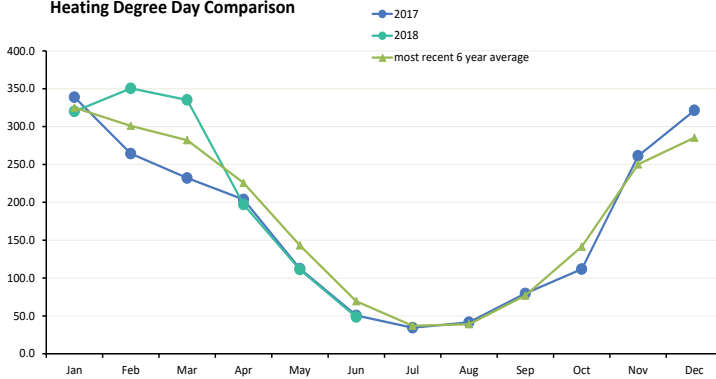
# month on month weather review

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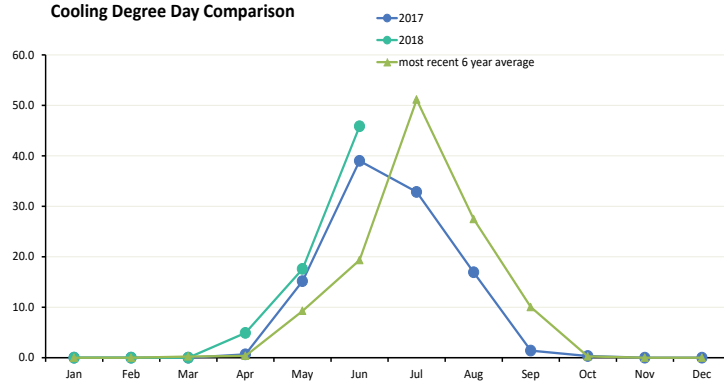
Review of June 2018

Degree days are a representation of the length of time and severity with which the outside temperature either drops below (heating days) or goes above (cooling days) 15.5°C, and therefore it is assumed that heating or cooling is required.

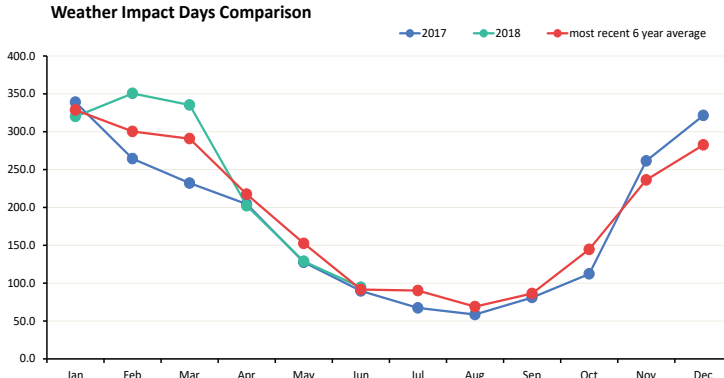
Heating Degree Day Comparison



Cooling Degree Day Comparison



Weather Impact Days Comparison



## Heating 2017/18: Summary

### 2018 Summary v 6 Year Average

(\* Positive numbers = warmer, negative = colder than 6 year average)

2018	May	June	Year total
DD	31.9	20.8	-16.5
%	22.3%	30%	-0.8%

### 2018 v 2017 Summary

(\* Positive numbers = warmer, negative = colder than 2016)

2018	May	June	Year total
DD	1.2	2	-160.8
%	1%	4%	-7.9%

## Cooling 2017/18: Summary

### 2018 Summary v 6 Year Average

(\* Positive numbers = warmer, negative = colder than 6 year average)

2018	May	June	Year total
DD	8.3	26.5	39.4
%	89.6%	137.1%	33.3%

### 2018 v 2017 Summary

(\* Positive numbers = warmer, negative = colder than 2016)

2018	May	June	Year total
DD	2.4	6.8	13.5
%	15.9%	17.5%	12.7%

## Weather impact days 2017/18: Summary

### 2018 Summary v 6 Year Average

(\* Positive numbers = warmer, negative = colder than 6 year average)

2018	May	June	Year total
DD	23.7	0	97.5
%	15.5%	3.2%	4.3%

### 2017 v 2016 Summary

(\* Positive numbers = warmer, negative = colder than 2016)

2018	May	June	Year total
DD	-1.3	4.8	171.8
%	1%	5.4%	8%

## Met office UK summary

The first week of June became increasingly settled, with temperatures rising well above average. Eastern coasts were much cooler on some days due to onshore winds. It became less settled from the 9th onwards, and on 13th/14th there were some large rainfall totals in upland areas of western/southern Scotland and north-west England. The middle part of the month saw generally larger cloud amounts, with spells of rain mainly for Scotland, but from around the 21st onwards most areas were sunny and increasingly warm, with numerous locations exceeding 30 °C from the 25th onwards. Some southern areas saw very little rain throughout this month, with less than 2 mm at numerous stations.

It was provisionally the third warmest June in a series from 1910. Rainfall was 48% of average, and most notably well below average over most of England and Wales with less than 10% of average in some southern counties: for England it was provisionally the third driest June in a series from 1910. Sunshine was 142% of average, and was well above average nationwide, it was provisionally the fifth sunniest June in a series from 1929.

## Utility impact summary

Mid June was the start of the heatwave we are currently experiencing and as such will have caused some businesses to significantly increase the use of air conditioning and fans to keep staff and customers cool. You may have seen an increase in your electricity bills because of this.

The most cost efficient way to cool a building is to make use of an natural ventilation first such as opening doors and windows and turning on fans to move the air around. Air moving over the skin makes people feel cooler even if the room temperature is high. If that is not enough then air conditioning should be a secondary cooling measure.

This has also been a very sunny month fooling the trend from May, if you have large windows make the most of the natural light to keep costs down where possible.