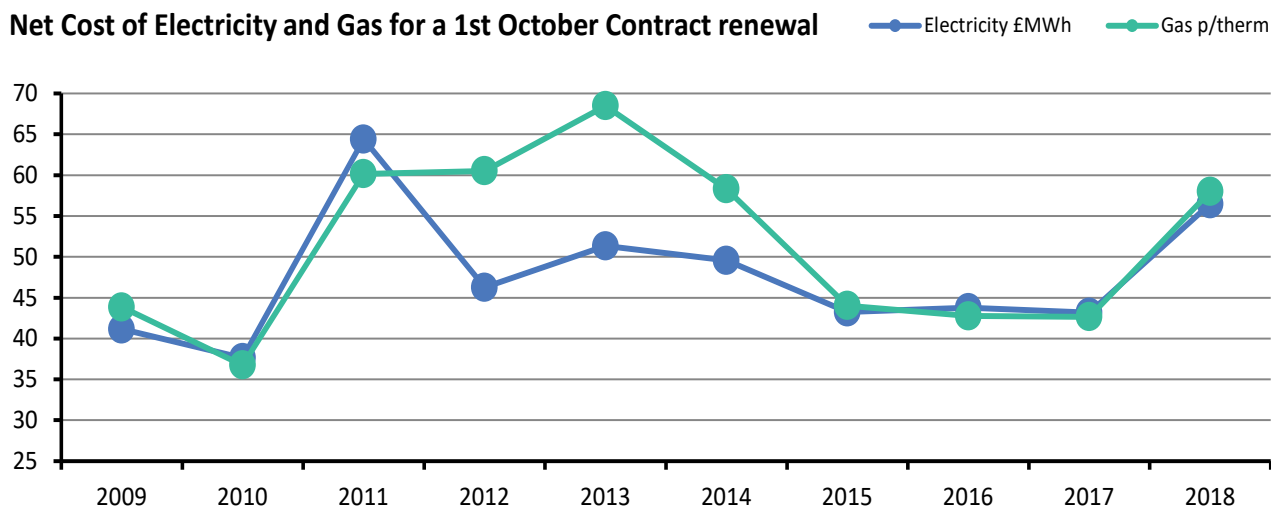


## Net Cost of Electricity and Gas for a 1st October Contract renewal



**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	64.40	47.01	51.70	48.79	42.76	43.03	43.36	56.87

**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	61.17	68.65	56.30	43.60	41.73	43.23	58.12

### Week commencing 6<sup>th</sup> August 2018

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$72.53	58.84	£57.39	\$94.15	-1.4
<b>End</b>	\$72.74	60.89	£58.87	\$99.50	-1.7

The day-ahead contract closed at 58.75 p/th on Friday losing 0.25 p/th on a week-on-week basis as the UKCS returned into supply towards the end of the week following maintenance. Further losses were muted however due to an extension of an outage at the Cygnus field which resulted in some 8.5 mcm/d being offline until Saturday the 11th. The rest of the prompt and curve contracts moved in the opposite direction with the front-month rising by 1.75 p/th over the week to close at 60.50 p/th, breaking the level of 60 p/th for the first time since December 17. The NBP curve was supported by the stable further dated oil contracts while the pound had significant losses against the Euro pushing UK gas prices higher.

### Week commencing 30<sup>th</sup> July 2018

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$74.56	59.30	£57.61	\$97.95	-1.2
<b>End</b>	\$72.53	58.84	£57.39	\$94.15	-1.4

NBP prompt prices saw a bullish week triggered by supply-side outages on domestic production and Norwegian imports, primarily on the SAGE system and the SEAL pipeline. Supply was tight on Friday with the SAGE pipeline network offline for maintenance and restriction on the Vesterled pipeline delivering into the St Fergus terminal. Planned maintenance also commenced on the SEAL pipeline on Thursday and flows are expected to remain at zero until Tuesday 6<sup>th</sup> of August. With high gas to power demand and weaker UKCS production, MRS switched to withdrawals to balance the system and took the opportunity of higher prices. The day-ahead contract closed at 59.00 p/th. Despite bearish sentiment from the oil market, NBP curve contracts rose potentially supported by a weaker pound, which lost 0.3% against the Euro. Larger gains were seen in the nearer term contracts likely coming from north sea supply outages and high north east Asian LNG prices.

### Week commencing 23<sup>rd</sup> July 2018

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$72.86	58.57	£57.45	\$98.55	-1.2
<b>End</b>	\$74.56	59.30	£57.61	\$97.95	-1.2

Industrial action at offshore UKCS rigs early last week reduced supply into Britain and, combined with expectations of higher demand toward the end of the week, pushed the day-ahead contract 0.40p/th higher to close at 57.90p/th. Near and far curve contracts broadly tracked Brent crude oil. Gains were capped, however, by a strong pound, which pushed 0.7% higher against the Euro. Increasing wind generation throughout the week weighed on prompt power prices. Additional bearishness was added late in the week through forecasts for cooler temperatures in Britain. On the other hand, bullish natural gas and European power prices supported the front-month. Curve products were also lifted by natural gas.

### Week commencing 16<sup>th</sup> July 2018

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$75.27	59.35	£57.07	\$102.55	-0.5
<b>End</b>	\$72.86	58.57	£57.45	\$98.55	-1.2

Prompt NBP contracts saw volatile trading in a tight window last week, with prices remaining strong due to continued high interconnector exports and gas-to-power demand. Curve contracts all fell, with bearishness feeding through from the oil and coal markets. Losses were limited however, as support came from a sharp drop in the value of the pound against the Euro. The pound has struggled recently, falling by 1.1% against the Euro in the last week. Low renewable generation kept the prompt Power contract elevated over the week, with the day-ahead contract reaching a high of £59.36/MWh on Tuesday. The UK has seen extremely low wind output over the past few weeks. Low renewable output is expected to continue until August, with premium being added to the week-ahead contract as a result. The near curve posted gains, potentially as support fed through from a bullish carbon market. This sentiment did not seem to flow through to the far curve, with contracts following the NBP gas market down.