

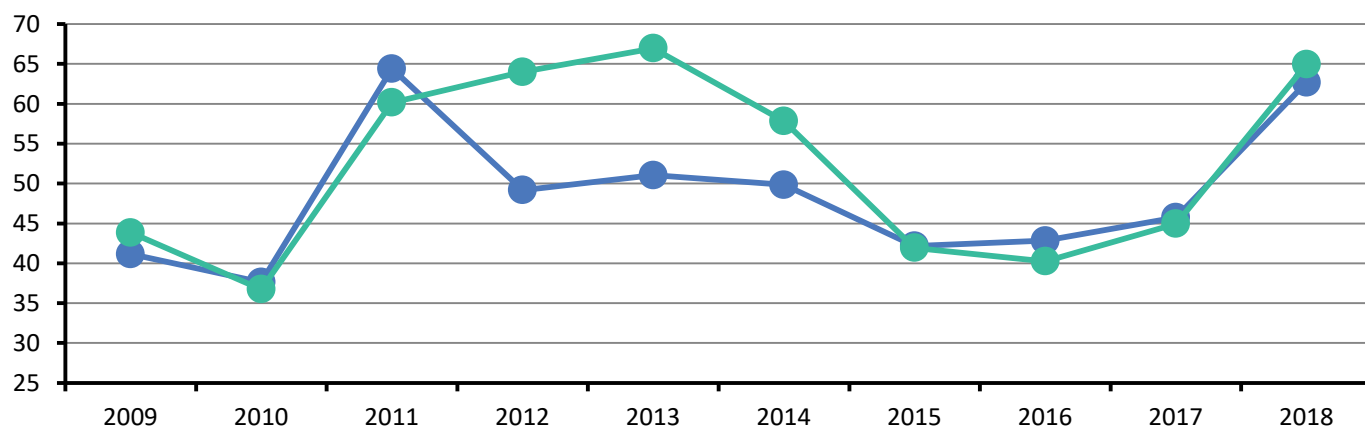
# month on month marketview

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Review of  
November  
2018

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

Electricity £MWh Gas p/therm



**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	49.92	51.88	48.56	39.66	55.53	46.84	59.06

**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	64.05	66.59	52.86	37.84	48.01	46.53	62.40

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

### November in summary

Unseasonably warm temperatures and healthy LNG receipt to the UK led to a constant oversupplied system driving Markets down.

### Market volatility

Whilst a healthy system weakened Gas prices through the month the losses on the Power prices were curtailed by Coal and nuclear availability in North West Europe.

### Weather

October began with high pressure over the south, but a westerly flow affected central and northern areas, bringing relatively changeable weather to much of Scotland. The second week was unseasonably warm due to southerly winds, and many areas were also sunny on the 9th and 10th, but Storm Callum brought wet and windy weather to most parts on the 12th, particularly over the high ground of south Wales. After a relatively settled spell with high pressure often close to the south, a northerly outbreak on the 26th and 27th resulted in a very cold end to the month, with wintry showers on high ground and also locally to low levels on the 27th.

### Gas, Storage and LNG News

The month started with some bullish concerns over the weather outlook, with little LNG flowing into North West Europe. Yet, in the first half of the month temperatures were unseasonably warm, which led to persistent oversupply. The bears strengthened their hold of the prompt in the back half of the month, as a combination of a narrower spread with North East Asia and high tanker costs led to a rise in incoming LNG shipments. At the front of the curve weakness filtered in as LNG imports began to be scheduled across Western Europe with greater frequency. Sub-normal temperatures forecast for the start of the November failed to contain losses as the month closed out, with the abundance of LNG arrivals expected to deal with any cold demand. Towards the back of the curve oil was mainly responsible for the losses posted by contracts. Bearish influence from global stock markets flooded into Brent in the latter stages of October. This was exacerbated by Saudi Arabia promising it will keep the oil market well supplied despite the Iranian export shortfall.

### Politics and global economics

The Dutch Senate passed a bill which will put the control of Groningen production levels in the hands of the government, ultimately minimising production at the site. The new bill means that the field operator, NAM, will now be legally obliged to only

produce the necessary volume of gas in order to meet demand despite profitability. In the past, NAM had been able to maximise output at the Groningen field up to the proposed government quota regardless of demand. The bill will begin to impact production at the Groningen field from the start of the 2019/20 gas year.

### Oil ▼

The Crude oil market closed down following pressure from concerns that the ongoing US-China trade war will impact global economic growth and bearish stock markets. There was some support for the price of oil at the end of the week amid concerns that supply will tighten following the start of US sanctions on Iran at the beginning of November.

### Coal

The European coal benchmark held fairly stable in October, despite negative from carbon and Brent. This is largely due to short-term concerns over low water levels on the Rhine. This meant coal was unable to get to German power stations in sufficient amounts, which created a demand spike. Moreover, the poor level of Belgium nuclear generation continued to play a role in expected consumption for the commodity for this Winter.

### Carbon ▼

The Carbon EUA Dec-18 contract suffered losses due to the pressure that RWE's lignite power plants will emit lower emissions following the Hambach forecast court ruling. These strong losses were also contributed to following the UK's announcement that they would leave the EU ETS in 2019 in the event of a no-deal Brexit and replace it with a carbon tax. The Dec-18 contract made a slight recovery following comments from the UK minister regarding the UK's involvement in the EU ETS post-Brexit. However, bearish sentiment from global equities had filtered into the energy markets which in turn applied downward pressure on the carbon benchmark contract.

### Looking Ahead

Above seasonal normal temperatures are expected to keep system demand suppressed in the short term. However, colder temperatures below norms are expected for later in the month and into December.

Oil could continue to slide as global economic growth signals look weak amid the tension between the US and China.

Disclaimer: The above information is based on current market data available at the time of producing this document and is subject to change. ECA cannot be held responsible for movement in the commodity market.

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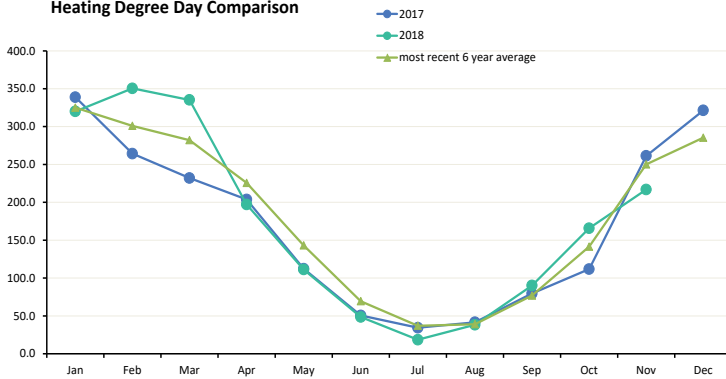
# month on month weather review

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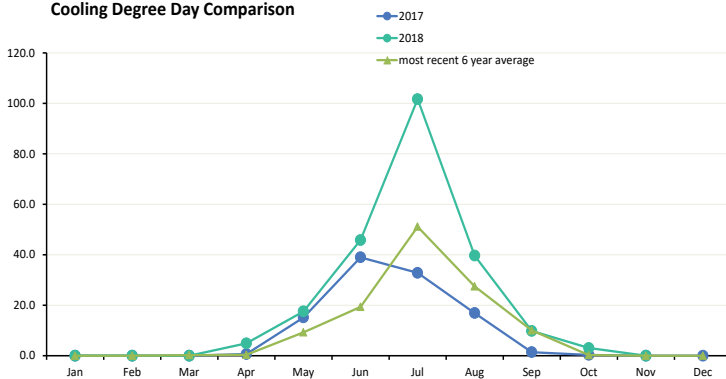
Review of November 2018

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.

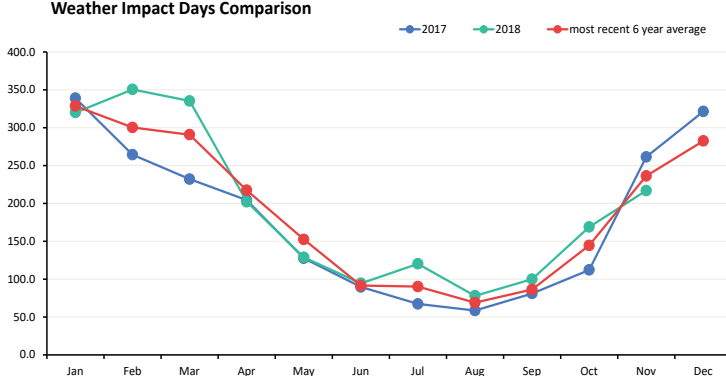
Heating Degree Day Comparison



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	Oct	Nov	Year total
DD	-24.3	33.2	-1.4
%	-17.1%	13.3%	-0.1%

### 2018 v 2017 Summary

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

2018	Oct	Nov	Year total
DD	-54	44.4	-161.6
%	-48.3%	17%	-7.9%

## Cooling 2017/18: Summary

### 2018 Summary v 6 Year Average

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

2018	Oct	Nov	Year total
DD	2.8	0	105.1
%	1,068.4%	0%	89%

### 2018 v 2017 Summary

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

2018	Oct	Nov	Year total
DD	2.8	0	116.3
%	825%	0%	109.3%

## Weather impact days 2017/18: Summary

### 2018 Summary v 6 Year Average

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

2018	Oct	Nov	Year total
DD	24.3	19.4	193.8
%	16.8%	8.2%	8.5%

### 2017 v 2016 Summary

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

2018	Oct	Nov	Year total
DD	56.7	44.4	364.2
%	50.6%	17%	16.9%

## Met office UK summary

November began with relatively cold quiet weather, but from the 3rd to 14th it was mild with a predominance of southerly winds, and it was also wet in most parts of the country, but relatively dry and fine in East Anglia and the south-east. A large high over Scandinavia brought a settled spell to most of the country from the 15th to 18th, with variable amounts of cloud. It was cold with easterly winds from the 19th to 26th, with frequent rain or showers for the east and south-west, but with any snow mostly confined to high ground, while there were numerous dry sunny days in north-west Scotland. It turned very mild, wet and windy in all parts of the country from the 27th onwards.

The provisional UK mean temperature was 7.3 °C, which is 1.1 °C above the 1981-2010 long-term average. For many parts of the country, the positive temperature anomaly was a little larger by night than by day. For the UK as a whole rainfall was 101% of average and sunshine was 110% of average.

## Utility impact summary

It has been a mild November for most of the UK with temperatures above the average and above 2017. This is likely to have been reflected in your utility bills if sites have been regulating their heating requirements, your bill may have seen a reduction since last year with the heating impact having been lower by 17%. As expected there has statistically been no requirement for heating this month, this is the same as last year so there has been no change there.

There has been more sunshine hours than average at 110% for the UK generally. Meaning that during the day you may not have needed your lighting on as much if you have large windows.

With Christmas coming up remember to ensure that everything is off that needs to be if you have a shut down period so that you are not wasting energy when no-one is in the buildings.