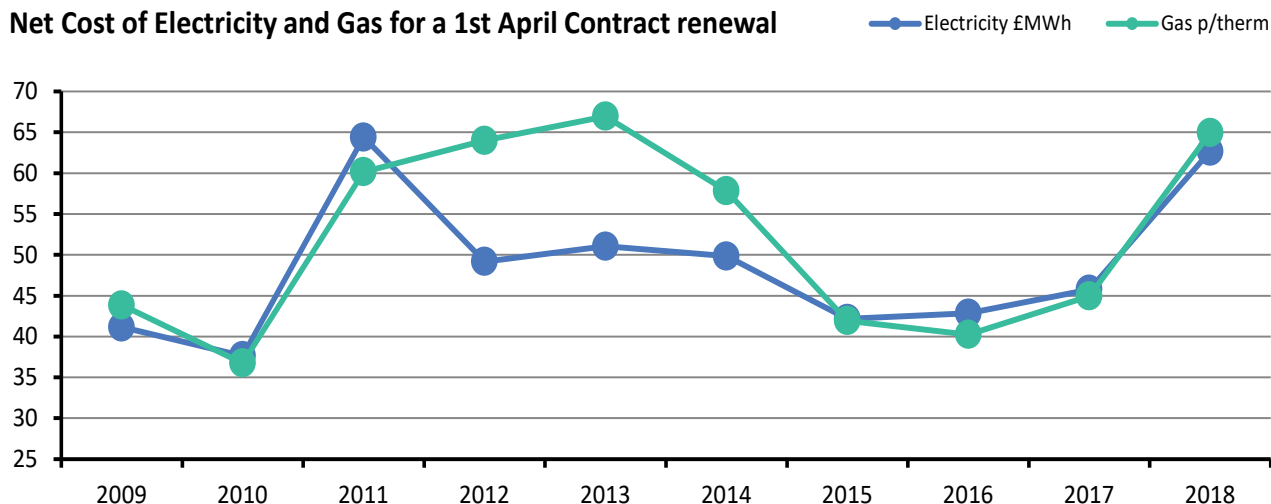


## Net Cost of Electricity and Gas for a 1st April Contract renewal



**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	49.83	52.71	47.42	37.93	55.33	47.68	61.96

**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	64.74	68.09	52.85	35.55	45.27	48.23	63.99

### Week commencing 3<sup>rd</sup> December 2018

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$58.50	60.81	£59.93	\$82.50	-4.0
<b>End</b>	\$62.94	59.34	£58.90	\$86.50	-3.8

Milder than seasonal normal temperatures and comfortable supply led to the day-ahead NBP contract falling last week. Seven LNG vessels have already arrived at British terminals so far in December, with a further three vessels expected to berth in the next 6 days. Consistent LNG imports have resulted in high send-out from terminals which has reduced reliance on MRS storage, keeping stock levels high. Near curve contracts fell as the risk of supply tightness reduces the longer milder temperatures continue, and there is currently no clear picture of weather at the beginning of 2019 to support the market. Far curve products tracked crude oil higher.

### Week commencing 26<sup>th</sup> November 2018

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$67.99	64.13	£62.22	\$87.90	-1.8
<b>End</b>	\$58.93	61.04	£59.75	\$78.50	-4.2

The day-ahead NBP contract lost 2.50 p/th on a weekly basis as prompt prices were pressured by mild temperatures during last week whilst strong wind generation lowered gas to power demand pushing prices further. Front-month and near term contracts also moved down as updated weather forecasts towards the second half of the week indicated milder temperatures for December and January. Contracts on the far curve were lifted, however, seemingly supported by a weakening pound against the Euro. Prompt Power prices were falling during most of last week pressured by strong wind generation which peaked above 11 GW during the first half. As wind generation forecasts dropped towards the end of the week prices rebounded slightly, but did not offset the earlier losses and the day-ahead price fell by £6.97/MWh on a weekly basis. The bearish sentiment filtered through the near curve whilst further dated contracts reported gains with the curve taking direction from the NBP market. Movements on the spreads were mixed with most of sparks adding value while dark spreads were pressured.

### Week commencing 19<sup>th</sup> November 2018

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$70.04	61.29	£59.20	\$89.30	-2.3
<b>End</b>	\$67.99	64.13	£62.22	\$87.90	-1.8

Revised weather forecasts which showed temperatures to be milder than anticipated, along with comfortable supply, led to prompt prices falling last week. Curve contracts also fell as milder temperatures reduced risk for winter delivery. The day-ahead contract saw a volatile week, amid varying wind generation and high continental prices. French prompt prices saw very high levels last week, with cold weather and low nuclear availability causing exports on the IFA interconnector. Curve contracts saw a bearish week, with the strongest losses coming in the near curve, seemingly with pressure from the NBP gas markets.

### Week commencing 12<sup>th</sup> November 2018

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$72.66	60.89	£58.74	\$94.90	-2.1
<b>End</b>	\$70.04	61.29	£59.20	\$89.30	-2.3

Expectations of colder temperatures pushed prompt and near curve contracts higher last week and, despite a sell off on Friday, all products recorded week on week gains. Significant premium was built into gas contracts throughout the early part of the week in anticipation of severe cold weather, but some of the risk evaporated on Friday when weather forecasts were revised slightly less cold. Nevertheless, the day-ahead contract climbed 5.65p/th to close at 66.80p/th and the front month December '18 product gained 4.70p/th to settle at 71.95p/th. A sharp decline in the pound against the Euro after Brexit turmoil also added support.