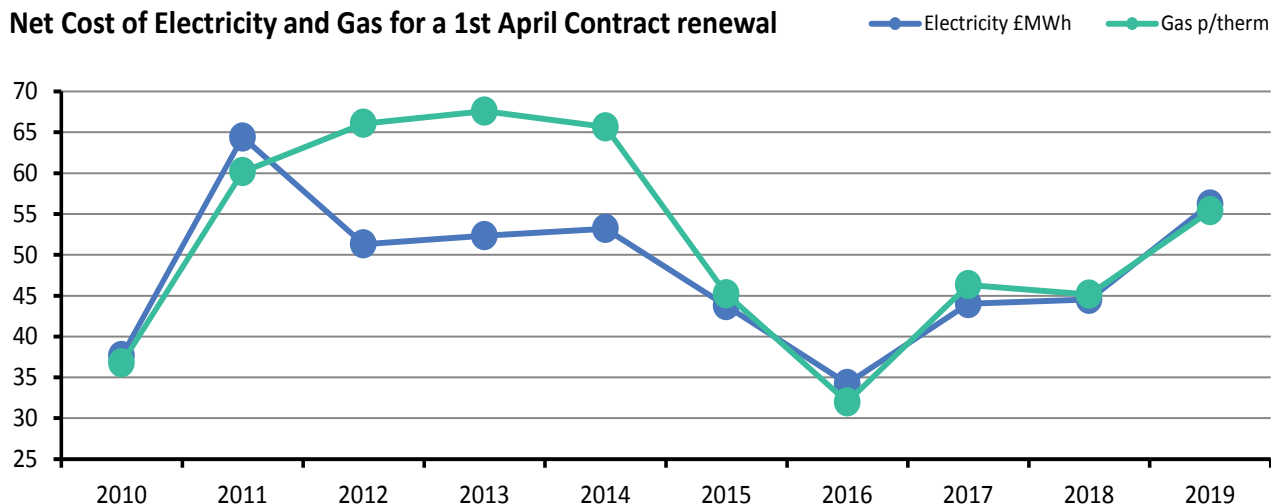


## Net Cost of Electricity and Gas for a 1st April Contract renewal



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

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
37.63	64.40	51.30	52.33	53.20	43.75	34.23	44.00	44.53	56.20

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

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
36.75	60.17	66.08	67.58	65.65	45.20	31.98	46.33	45.15	55.38

### Week commencing 28<sup>th</sup> January 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$61.35	54.70	£56.99	\$78.20	-6.5
<b>End</b>	\$62.26	52.96	£55.31	\$75.15	-3.8

Comfortable supply weighed on prompt NBP contracts last week as the system remained oversupplied during the week. Further pressure was added by weather forecast revisions through the week which showed temperatures to be milder than initially expected. The front-month contract also fell, as cold weather risk evaporated from near curve products and gas in European storage facilities remains healthy. Prompt power prices slid last week as a sharp increase in wind generation on Friday, along with bearish natural gas and carbon, depressed price. Bearish natural gas and carbon also weighed on curve contracts.

### Week commencing 21<sup>st</sup> January 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$62.59	58.54	£60.25	\$84.40	-3.6
<b>End</b>	\$61.35	54.70	£56.99	\$78.20	-6.5

NBP gas contracts saw a sell-off last week, with cold weather risk premium being priced out due to expectations of a comfortable system. Supply has remained strong, whilst temperatures are now forecast to trend up towards seasonal normal over the coming weeks. There has been no major supply issues this winter and little reliance on interconnectors required, with LNG supply at record highs. This means that the bullish impact of a short term cold snap could be muted. A surging pound against the euro also added pressure to gas prices. UK power tracked down with the NBP gas market last week, whilst additional pressure stemmed from the slump in European carbon. Margins are expected to be relatively comfortable, with interconnectors expected to operate at full capacity, whilst NEMO is expected to go live from Jan 31st

### Week commencing 14<sup>th</sup> January 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$61.21	57.14	£58.51	\$81.75	-5.3
<b>End</b>	\$62.59	58.54	£60.25	\$84.40	-3.6

Colder temperatures buoyed NBP prompt contracts last week, as the day-ahead product gained week on week. Temperatures in Britain are anticipated to remain below seasonal normal throughout this week, which led to additional premium being priced into the week-ahead product. Gains on the near curve were muted, however, as LNG supply has remained high, and storage levels on the continent are healthy. Falling wind generation on Friday pushed the day-ahead power price higher, a week on week gain. Rising natural gas led to strength in the week-ahead product. Curve contracts followed NBP and EUA prices higher, with the front-month Feb '19 product climbed £0.84/MWh to close at £63.78/MWh.

### Week commencing 7<sup>th</sup> January 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$56.95	58.10	£59.79	\$82.50	-5.3
<b>End</b>	\$61.21	57.14	£58.51	\$81.75	-5.3

Prompt Gas prices were pressured by an oversupplied system and warmer than expected temperatures, with the day-ahead price losing 2.00 p/th week-on-week. The bearish sentiment in the prompt filtered through the near and medium term horizon, with losses only partially erased by upward movements towards the end of the week. Contracts from Summer-20 onwards moved higher however, taking direction from long term oil prices. Following a week of volatile trading, prompt Power prices reported some gains on the back of forecasts for lower wind generation, especially on Friday. The day-ahead contract closed higher than the previous week. Curve contracts took direction from the NBP gas market while the bearish sentiment in the carbon market also weighed on prices. Movements in spark and dark spreads were mixed with gains on the prompt and near term spreads and losses being reported on the horizon to Summer-20.