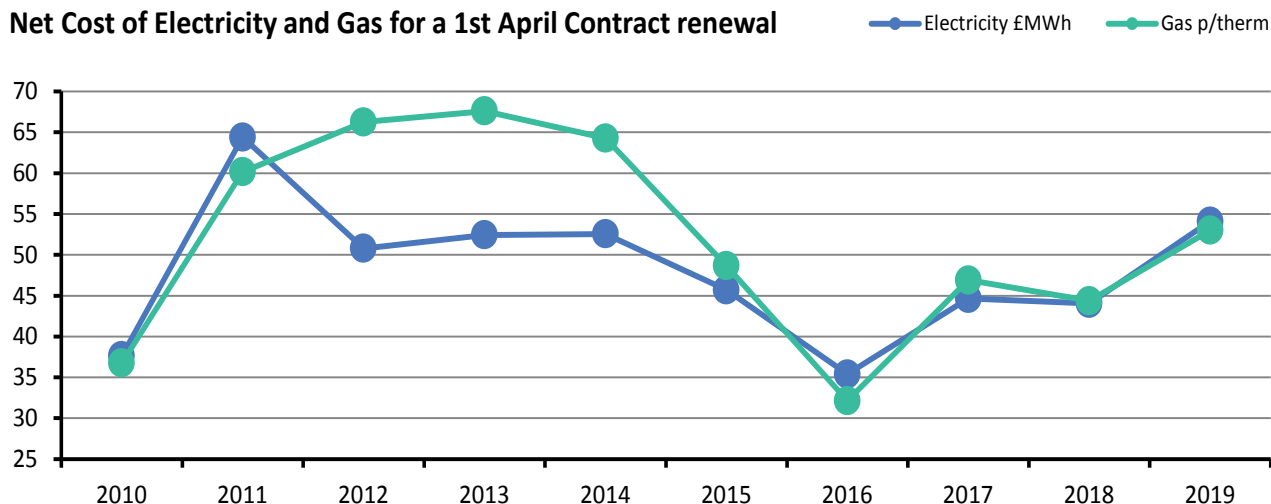


## Net Cost of Electricity and Gas for a 1st April Contract renewal



**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	50.78	52.43	52.55	45.70	35.40	44.65	44.05	54.10

**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	66.26	67.60	64.28	48.65	32.15	46.90	44.38	53.00

### Week commencing 11<sup>th</sup> February 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$61.77	51.07	£54.14	\$70.25	-7.5
<b>End</b>	\$65.76	51.42	£53.50	\$71.00	-6.9

Prompt and nearer dated NBP contracts continued down last week, primarily pressured by weather forecast revisions which showed warmer than seasonal normal temperatures and were a stark difference to forecasts seen the previous week. Additional bearish pressure has been given by strong LNG supply, which has persisted throughout winter and allowed storage levels to remain high, whilst North Sea infrastructure has also been reliable. Further dated contracts shook off bearish prompt sentiment and followed up with a stronger oil market, whilst additional support came from a weaker pound against the euro. Power prices were pressured by a weaker NBP gas market and continued strong wind generation. Curve contracts also saw steep losses, primarily weighed down by a sharp fall in European carbon, widening the gap further to Winter'19 amid significant oversupply in the NBP gas market expected.

### Week commencing 4<sup>th</sup> February 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$62.26	52.96	£55.31	\$75.15	-3.8
<b>End</b>	\$61.77	51.07	£54.14	\$70.25	-7.5

Warmer than expected temperatures, strong supply volumes from Continental Europe and a glut of wind generation at the back end of last week pushed the day-ahead contract down. Further downward pressure was felt across the curve off falling Brent prices and strong LNG output. Bearish sentiment dominated the Power markets last week as falls across the energy complex pushed down the UK Power market across the curve. The day-ahead market saw modest price falls as fluctuating wind generation saw prices swing throughout the week.

### 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.