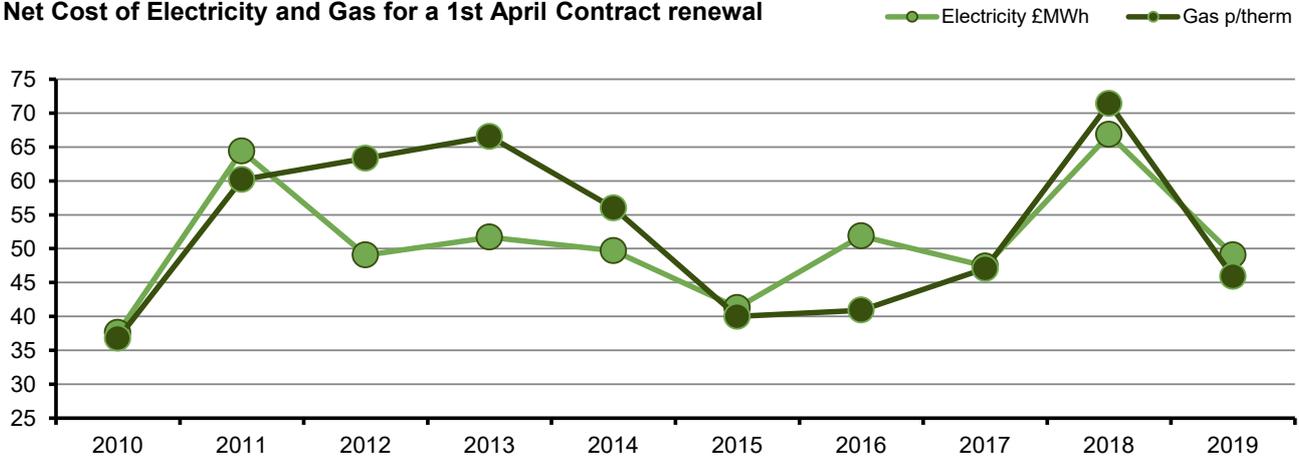


Report issued: 16th October 2019

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	49.04	51.68	49.70	41.30	51.86	47.41	66.83	49.08

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	63.33	66.54	55.99	40.00	40.92	47.06	71.41	45.90

Week commencing 7th October 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$58.65	46.25	£48.84	\$58.30	-9.5
End	\$60.17	46.87	£50.12	\$60.20	-8.8

The ramp up in Norwegian flows, high LNG arrivals and low gas for-power demand helped keep pressure on prompt gas contracts last week. LNG arrivals have seen a step up recently, with the UK set to receive 12 vessels over October. Curve contracts ticked higher on the week, seemingly following up with bullish moves in crude oil and European carbon. Further gains were limited however due to the strong LNG supply outlook, whilst additional downward pressure came from the sharp increase in the value of the pound. The Power day-ahead contract traded as low as £29.38/MWh last week, with wind generation outputting more than 10GW through most days. Losses were recovered on Friday however, with a tighter system to start this week. Curve contracts tracked higher with gains in NBP gas and European carbon, with most gains coming at the end of the week amid positive developments in Brexit negotiations, U.S. trade talks and Middle East tensions. Any Brexit news and developments from the U.S.-China trade talks will likely remain main market drivers this week, and could cause some volatility.

Week commencing 30th September 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$62.34	46.04	£49.55	\$56.90	-9.0
End	\$58.65	46.25	£48.84	\$58.30	-9.5

Mid-week concerns on Storm Lorenzo heading into the West coast of Scotland saw a rally in the NBP prompt market despite the domestic grid remaining over-supplied throughout the week. LNG send-out peaked on Thursday, providing one-third of domestic supply. This together with increased flows from the North Sea drove the bearish sentiment across the rest of the curve with Nov'19 notably falling 2.35p/th. Strong renewable generation throughout last week could not offset the concerns in the Power prompt over Storm Lorenzo as the day-ahead contract closed £2.54/MWh up from the previous Friday. The storm had threatened to increase generation demand and cut domestic supply but quickly dissipated and could not stem the LNG supply glut from pushing down near term prices. Jan'19 saw the largest retraction, falling £3.09/MWh as much of the price risk concentrated in Q1'20. This pressure followed on down the curve and losses in the far-term were compounded by falling Brent and Carbon prices.

Week commencing 23rd September 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$64.60	47.60	£50.78	\$61.80	-7.9
End	\$62.34	46.04	£49.55	\$56.90	-9.0

Curtailed Norwegian output through last week and uncertainty about its ramp up helped lift prompt contracts. Langeded flows were expected to start ramping up mid last week, however further upstream outages are continuing to hamper flows into this week. Curve contracts saw a sharp adjustment down amid bearish short term fundamentals and losses in crude oil. Higher numbers of LNG vessels have started to arrive, with the UK expecting to receive 8 LNG vessels in the first 14 days of October, after seeing 10 over the whole of September. Although fundamentals remain bearish, risks regarding Russian gas supply and cold weather are still in the forefront of the market. Prompt Power contracts jumped last week in volatile trading, led higher Norwegian gas supply concerns and as wind generation has seen a dip from last weeks levels. Curve contracts moved in the opposite direction, with strong losses in gas, oil and carbon all adding pressure.

Week commencing 16th September 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$60.37	46.99	£51.15	\$62.55	-8.2
End	\$64.60	47.60	£50.78	\$61.80	-7.9

The prompt and month-ahead contracts saw a sharp sell-off early last week amid softening demand, stronger LNG imports and assurances by EDF France on the engineering concerns to their nuclear fleet. Prices had been previously propped up by uncertainties with French nuclear availability over Q4'19, which would heavily increase the continent's reliance on CCGT's. Further dated contracts saw an adjustment upwards last week along with the crude market, with a surge on Monday occurring after news of the alleged drone attack impacting Saudi oil supply. Gains were limited however as risk premium eroded from the crude market and after assurances from EDF France regarding nuclear availability. Weakness in the gas market early last week and easing French nuclear concerns helped pressure prompt and near curve power contracts. Although some risk premium has been priced out of contracts following assurances by EDF France, the comments have yet to be verified by the French nuclear authority (ASN). Further dated contracts did see an uplift however despite easing French nuclear concerns. Gains were led by the surge in oil prices following the alleged drone attack, which reduced Saudi oil supply by 5.7m bpd.

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.