



PRICING REPORT

MAY 2023

INTRODUCTION



Energy bills are driven by both the price of energy on the wholesale market and Third-Party Costs (TPCs). TPCs include non-energy costs set by the government, network (the National Grid), policy and system costs and electricity transmission/distribution costs.

The biggest single cost on a bill is the price of the energy. Before the energy crisis the wholesale cost of energy made up approximately 40% of an electricity bill and 70% of a gas bill, with the remaining being TPCs, which have been continuously rising in recent years and can be volatile. Currently, with the rise in wholesale costs they are around 78% of a gas bill and 72% of an electricity bill.

This pricing report will focus on the energy element of a bill to help you keep track and understand the wholesale energy market and the factors affecting the price of your contracts.

OVERVIEW

Energy supply has been relatively healthy with the UK and EU storage at 63% full, which has helped prices to remain steady. This has kept concerns low and allowed for the outlook of prices to also stay consistent and for Summer 2023 to even start to decrease in price. For the first time in 2 months we have seen Winter 2023 also dropping to below 140/ptherm for the first time since the 29th of March. This is likely to continue as long as supply is not majorly disrupted.

Wind generation has contributed to over a quarter of the UK power mix too. Temperatures are expected to be below seasonal norms until the 22nd May, so this is unlikely to impact prices until after this date when they are forecasted to increase.

Bullish Factors (upward pressure on markets):

- Concerns about US and China consumption
- Lower-than-average temperatures until 22nd of May
- Decrease in LNG supply
- Series of outages in Norway

Bearish Factors (downward pressure on markets):

- Rising wind generation
- Low gas demand
- Healthy supply



MARKET REPORT

GAS & POWER

Lowering windspeeds and a reduction in Nuclear output has tightened the grid somewhat, but demand for gas (for heating and for power generation) still remains low. With gas supplies flowing healthily and no expected or confirmed outages have helped keep prices steady.

Graphs below display gas and electric prices over the last 12 months.

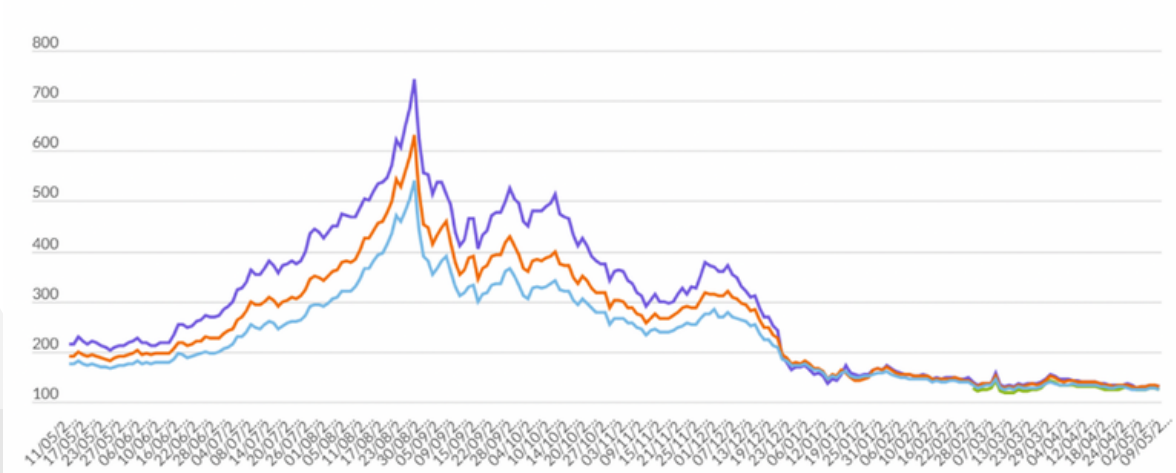
GAS PRICES

15th May



ELECTRICITY PRICES

15th May



ENERGY NEWS

WIND GENERATES MORE POWER THAN GAS FOR THE FIRST TIME

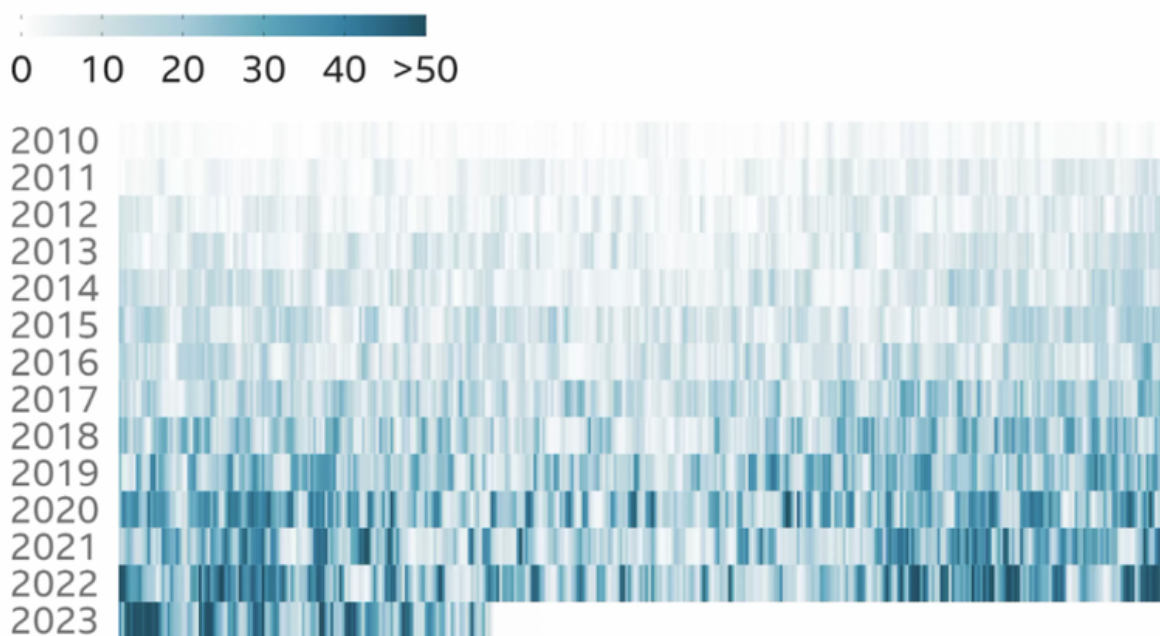
For the first time in the UK's history wind turbines in the UK provided more power than gas and the National Grid also confirmed that there was a record period of solar energy generation in April.

For the first three months of 2023, research from Imperial College London has shown that wind turbines generated a third of the electricity needed to power the UK. When combining all renewable sources, renewables made up 42% of all electricity, fossil fuels like coal and gas supplied 33% and the remainder was accounted for by nuclear and imports. This is a positive step for the UK, which is aiming for all of its electricity to have net zero emissions by 2035.

"In the space of a decade, the UK has almost completely cut out coal, after relying on the most polluting fossil fuel for over a century to power our country.

There are still many hurdles to reaching a completely fossil fuel-free grid, but wind out-supplying gas for the first time is a genuine milestone event," said Dr Iain Staffell, lead author of the report.

Daily percentage in Great Britain's electricity generation



Source: National Grid Electricity System Operator

