PLACE SUPPORT PARTNERSHIP

PRICING REPORT

JUNE 2023

PSP | PLACE SUPPORT PARTNERSHIP

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

An attack on the Kakhovka Hydroelectric Power Plant in the city of Nova Kakhovka (a Russian-occupied region of Ukraine) has triggered a wave of evacuations. The dam is one of Europe's largest reservoirs holds water equal to the Great Salt Lake in the US state of Utah, according to Reuters. The attack has unleashed a flood of water over dozens of towns and villages and also provides cooling water to the nuclear power station at Zaporizhzhia. Ukraine has accused Russia of destroying the Hydroelectric Power Plant structure, whilst Russia is blaming Ukraine.

Prices have also increased due to being under-supplied on gas, a low LNG send out which fell by 46% and unplanned maintenance at Barrow. Saudi Arabia have also cut oil production by an additional 1million barrels per day which caused the price of oil to rise whilst OPEC+ pledged to cut supplies further to counteract rising global demand.

Bullish Factors (upward pressure on markets):

- Ukraine dam attack
- Decrease in LNG
- Under supply of gas
- Oil production cuts
- Lower wind generation

Bearish Factors (downward pressure on markets):

- Warm UK temperatures
- Lower gas demand
- Solar generation expected to increase

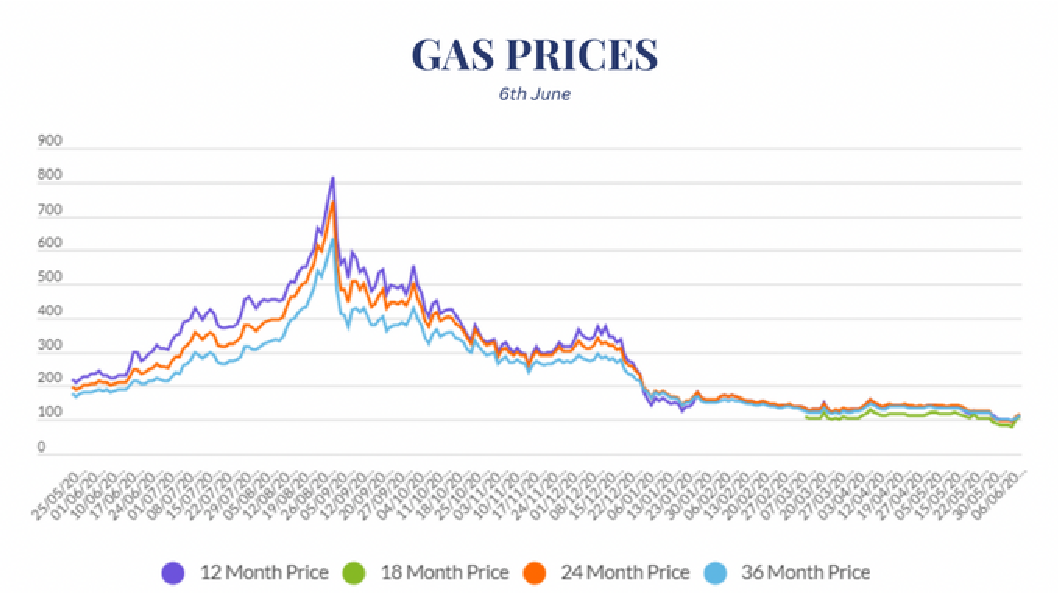
PLACE SUPPORT PARTNERSHIP

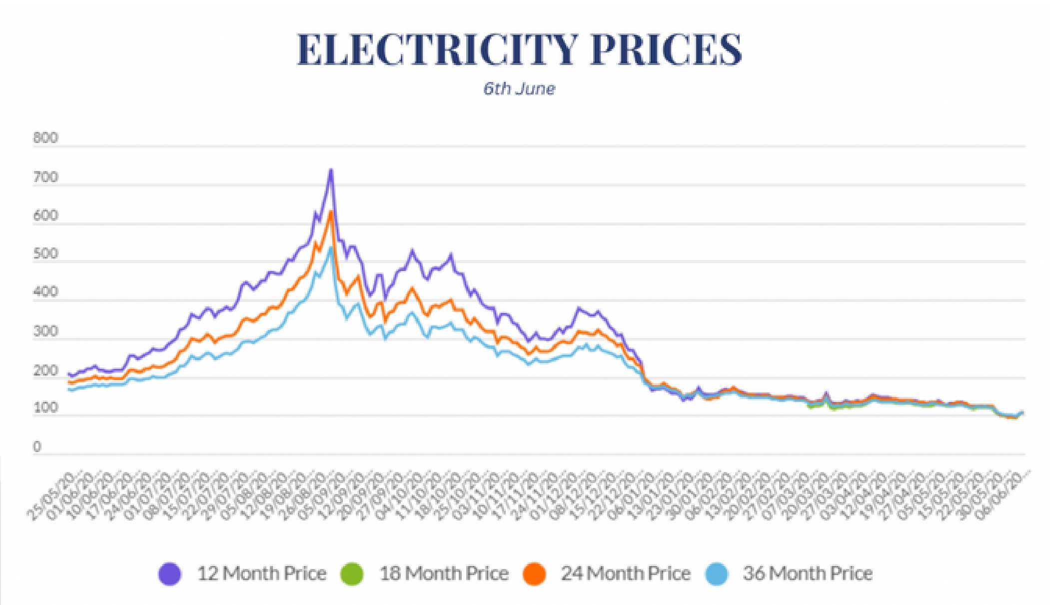
MARKET REPORT

GAS & POWER

The increase in UK temperatures has decreased prices due to less heating being required. Solar generation is also expected to increase by 20% above seasonal demand. However, the market remain bullish due to the decrease in LNG send out, lower wind generation and tighter gas fundamentals impacting the price.

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





ENERGY NEWS

UKRAINE DAM ATTACK

The huge dam in southern Ukraine was destroyed on Tuesday, triggering floods and endangering Europe's largest nuclear power plant as both Russia and Ukraine blamed each other for the attack. Mykhailo Podolyak, a chief advisor to President Zelenksy, said that at least 150 tons of machine oil from the plant had already entered the Dnipro river, and there is a risk of further leakage of more than 300 tons.

"There is no doubt that this will lead to large-scale environmental, economic and human consequences. And the results of such a war crime are equivalent to the use of unconventional weapons," he said.

"The instantaneous death of a large number of fish and animals, the waterlogging of drained [agricultural] lands and the change in the climatic regime of the region, will later be reflected in the food security of the world."

Mr Podolyak also said that the loss of the reservoir will mean the largest nuclear power plant in Europe - the Zaporizhzhia plant - will gradually run out of cooling water. He believed the goal for Russia was "to create obstacles for the offensive actions of the Armed Forces" echoing earlier statements from Ukraine's southern command of its army that said they believe Russia blew up the dam to stop a Ukrainian advance across the Dnipro river.

While it is unclear how extensive the flooding downstream will be, there are fears it could be devastating for settlements in a critical zone, home to about 16,000 people.

ENERGY NEWS CONT.

ENERGY BILLS DISCOUNT SCHEME

On the 26th of April 2023, the Government approved the new Energy Bills Discount Scheme (EBDS) where Energy and Trade Intensive Industries (ETII), and Heat Networks that supply domestic end consumers, may be eligible for a higher level of support.

The EBDS runs for 12 months from the 1st of April 2023 to the 31st of March 2024 and replaces the Energy Bill Relief Scheme, which supported businesses and organisations between the 1st of October 2022 and the 31st of March 2023.

The new scheme is made up of 3 different parts:

- The baseline discount provides some support with energy bills for eligible non-domestic customers in Great Britain and Northern Ireland – this support is applied automatically.
- The Energy and Trade Intensive Industries (ETII) discount provides a higher level of support to businesses and organisations in eligible sectors – application is needed.
- The Heat Network discount provides a higher level of support to heat networks with domestic end consumers – application is needed.

Most non-domestic customers will not see additional support on their energy bills from April and any support is likely to be significantly reduced.