PSP PLACE SUPPORT PARTNERSHIP

PRICING REPORT

APRIL 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 prices rose this week, with 150 UK oil and gas workers set to walk out over pay disputes in the North Sea. It is also expected to be the first of many this month, adding to the impact strike actions are having on the energy market.

The main risk to the market last year was sourcing enough energy to meet the required demand. The new market risk this year has become a disruption to supply infrastructure through union and protest movements. Given the price rise, it is likely that this is not going to be resolved swiftly.

Demand is expected to be higher than usual in April with temperatures expected to be cooler. However, despite the strike disruption energy supply still looks healthy. Gas flows via Norway are up above the 5-year average, there is a steady delivery of LNG expected, and UK wind generation is forecasted to pick up.

Bullish Factors (upward pressure on markets):

- Strike disruption
- Demand is expected to rise
- Colder temperatures forecasted
- OPEC's announcement on oil production cuts
- US dollar falling

Bearish Factors (downward pressure on markets):

- Rising wind output
- Increased gas supply
- Healthy levels of LNG expected

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MARKET REPORT

GAS & POWER

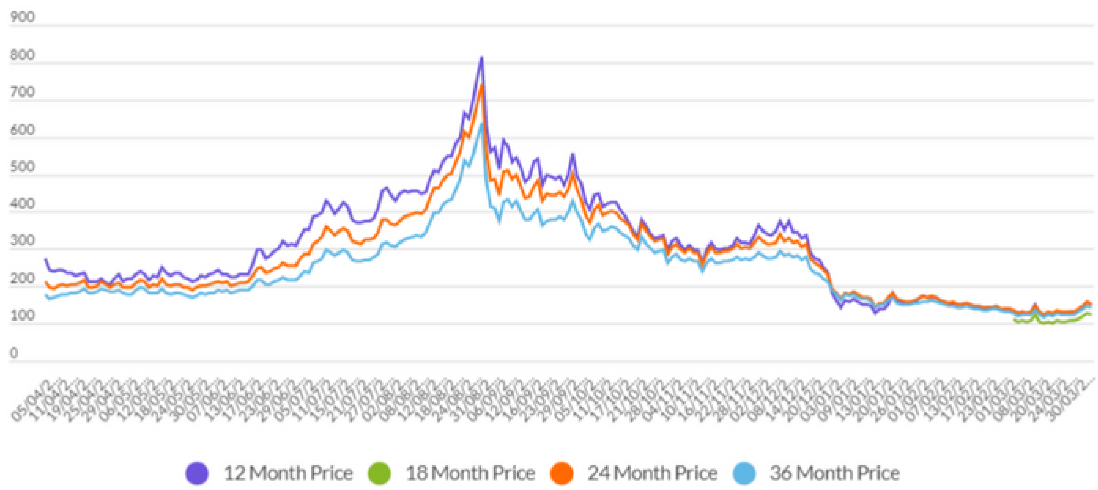
Demand increases, lower temperatures and supply disruption pushed prices up. However, wind output is expected to rise and healthy levels of LNG coming into the UK have reversed some of the rises.

Gas prices have decreased by over 30% since the start of the year however electricity has increased by 25.8%.

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

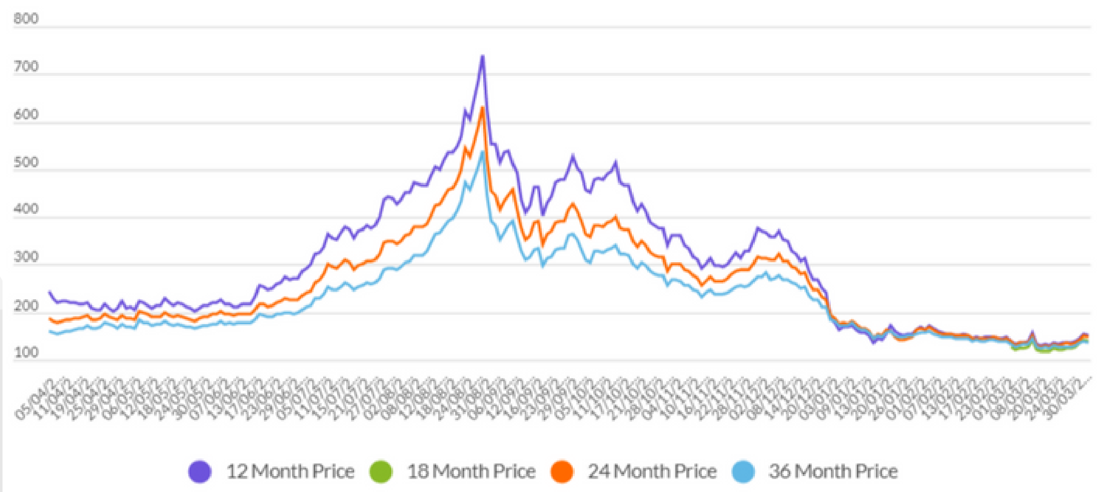
GAS PRICES

5th April



ELECTRICITY PRICES

5th April



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ENERGY NEWS

HIRD-PARTY COSTS REACH RECORD HIGH

According to a new report by Drax charges such as Renewables Obligation, Balancing Services Use of Systems and Distribution Use of Systems are set to soar to an unprecedented high.

Third-party costs (TPCs) are a major concern for businesses and are rising due to inflation and increase in market volatility. s. These costs now make up almost 40% of the total energy bills and businesses are bracing for a surge in their energy bill prices due to this.

As per the forecasts of the National Grid Electricity System Operator (NGESO), total costs for the 2022/23 period are expected to reach £4.7 billion, up from £3.5 billion in the previous year.

Drax's Sales Director, Paul Miller said: "Just like wholesale energy prices, TPCs are sensitive to what's happening in the market and can rise and fall considerably each year.

"Our "Spring 2023 Third Party Cost Guide" found that many of the underlying charges such as RO, BSUoS and DUoS are all going to rise this year, largely due to inflation and increased volatility within the market."

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