IndigoSwan

energy enthusiasts

Monthly
Energy Report

6th of June 2023

Written by Lee Hart, Head of Knowhow

Energy Overview

Headlines:

- ✓ Gas and Electricity Wholesale prices are lower.
- ✓ EU Gas Storage levels remain high at 70% full.
- ✓ Large numbers of LNG deliveries continue to arrive in Europe.

As of the 5th of June, Gas and Electricity Year Ahead Wholesale costs were lower, when compared to last month's report.

During May, Oil fell to just $72 a barrel, well below the $80 it is thought members of OPEC+ require. In response, on the 4th of June, they announced production cuts with the intention of stimulating the price to help support their economies and fund projects to help them diversify away from the reliance on Oil revenue. Oil is currently $76.

The EU has a target to fill Gas Storage to 90% full by November, in readiness for the winter demand. Since last month, levels have increased from 60% to 70%, considerably higher than last year. There will be a continued focus to divert any excess Gas into Storage, aided by the large numbers of LNG deliveries still being made to Europe. There is the potential for some of these shipments to start heading to Asia to supply China's growing economy.

With Gas prices falling and it being the main source of generation, Electricity has followed Gas lower. We do have a growing diversity of supplies, which includes renewables and connections to the continent, but they are not yet able to match the scale and reliability of Gas generation.

The Met Office forecast for June suggests temperatures are likely to be above seasonal norm.

What does this mean for me?

The Energy Bills Discount Scheme (EBDS) replaced the Energy Bill Relief Scheme (EBRS) on the 1st of April 2023. It is designed to give all non-domestic customers, including the voluntary sector (such as charities) and the public sector (such as schools and hospitals) access to a phased in maximum discount when the customer's wholesale cost exceeds the defined thresholds. This lasts for 12 months until 31st of March 2024 and applies to contracts that were put in place on or after 1st of December 2021 and non-contracted arrangements. As with the EBRS, energy suppliers will automatically apply these standard discounts. Although the levels of assistance are less generous, the price of Gas and Electricity is considerably lower than 2022. Those companies that are classed as Energy and Trade Intensive Industries (ETII) and Heat Networks, will receive a more attractive discount once applied for. Please see our Blog for more details.

Customers may start to see higher Standing Charges on their Electricity invoices from 1st of April 2023. There have been changes to the way some industry charges are calculated, under the Targeted Charging Review. This move is part of an attempt to recover more Electricity costs, such as Transmission and Balancing, through fixed fees. In theory this should give both the customer and the industry a more accurate way of managing finances.

Indigo Swan are working closely with energy suppliers to help all our customers understand and manage these changes.

Please contact us on 0333 320 0475 to discuss options or to get a latest update.

Gas Market Overview

On the 5th of June, the Gas Year Ahead Wholesale cost was 102.27p/th, down from 126.79p/th in last month's report and 54% less than 2022.

The downward trend for Wholesale prices has continued. However, we have seen daily volatility in reaction to events such as the Gas supply outage of Hammerfest, Norway's LNG facility, which is due back online on the 8th of June. This does underline a concern that a series of unexpected events, which have not been factored into costs, could once again see increases. We avoided even more dramatic price spikes and the need to restrict Gas use last winter, due to the mild temperatures.

The EU's Gas Storage levels are a healthy 70% full against a target of 90% by November which is giving the industry confidence as we prepare for winter's demand. Large volumes of LNG continue to arrive in Europe, but the concern remains that should the Asian market offer an attractive price premium, then competition may drive costs higher. Europe does still receive Gas from Russia despite the closure of Nord Stream 1 and 2, so any further reductions may have an impact. With what looks like a counter offensive by Ukraine into Russian occupied territory, this could have an impact on Gas supplies travelling through the region.

Energy suppliers are starting to offer a wider range of supply contracts so we would advise discussing your options for contracts ending in 2023 with Indigo Swan for both one and two years.

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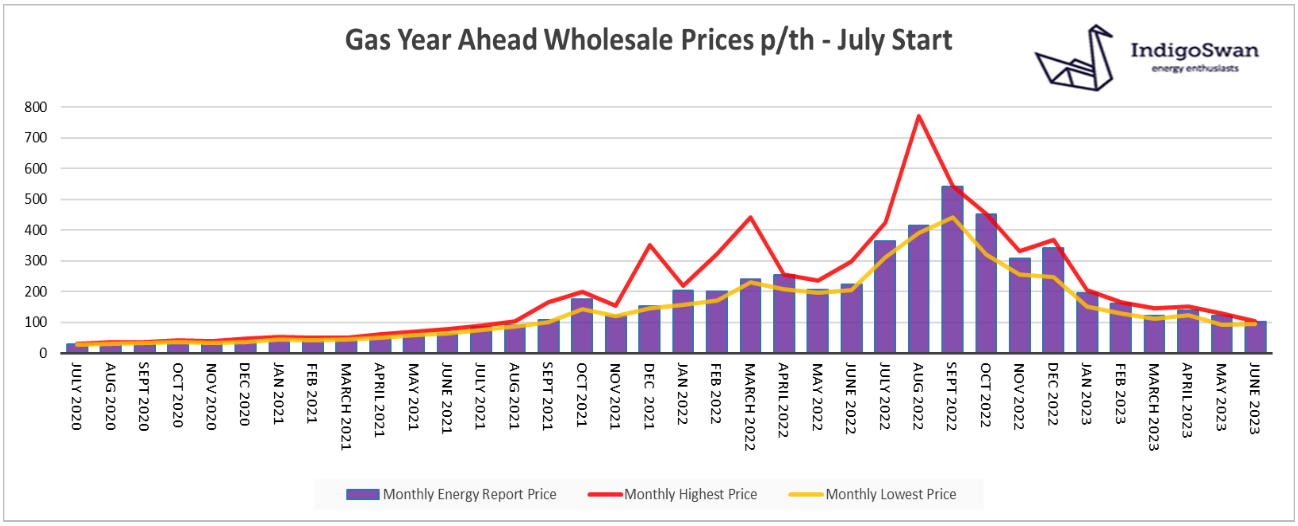

Electricity Market Overview

On the 5th of June, the Electricity Year Ahead Wholesale cost was £106.21/MWh, down from £129.05/MWh in last month's report and 51% less than 2022.

Electricity Imports from the continent were a very high 19% of supplies in May compared to just 2% last year, when we were also net exporters, partly due to issues with French Nuclear reactors being offline with safety concerns. These appear to have been addressed, but it illustrates how factors beyond our control may apply pressure to our energy costs.

There was a small drop in the use of Gas for generation at 35% in May from 36% in April. Wind also fell to just 16% from 21% and we have seen very little change so far in June. The contribution of Solar is hard to identify but with a growing number of both domestic and commercial projects, it would be reasonable to expect Solar to reduce the demand on other sources this summer.

The National Grid has mechanisms in place to help avoid power shortages and has taken additional steps to secure generation on demand. These measures do come at a cost premium, in the form of higher third-party charges within bills, but provide an element of stability to prices which otherwise may react even more dramatically.

Let us know if you would like us to research your options for one and two years, for contracts ending in 2023.

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