

Price Watch Report

Beond

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Last Month Summary

- ◆ UK gas and power prices posted strong gains during June. Gas prices rose 10.7% to 1.02 p/kWh as lockdown conditions started to ease, allowing businesses to reopen and boosting demand. Stable pipeline flows and LNG deliveries continued to supplement injections into gas storage, which was already 7% higher than it was at the same point last year. Gas stockpiles in Europe have increased to 80% of capacity, compared to 73% at the same point in 2019, meaning that less storage capacity needs to be refilled during the summer gas injection season.
- ◆ Power also rose last month, gaining 10.7% to 4.23 p/kWh as the return of businesses to normal operations will provide a significant boost in UK power grid demand. At the same time, warmer weather has boosted electricity demand for air conditioning. The 24.5% increase in carbon prices to €26.55/tCO₂ also drove gains in UK power.
- ◆ Brent crude oil prices jumped 18.1% higher during June to \$41.71/bbl as several countries across Europe, including the UK, continued with plans to gradually ease Covid-19 lockdown restrictions.

Wholesale Energy Prices

Contract	29 May 20	29 Jun 20	Δ	Change
Gas (p/kWh)*	0.92	1.02	▲	0.10 +10.7%
Electricity (p/kWh)*	3.82	4.23	▲	0.41 +10.7%
Oil (\$/bbl)	35.33	41.71	▲	6.38 +18.1%
Coal (\$/t)	52.15	58.00	▲	5.85 +11.2%
Carbon (€/tCO ₂)	21.33	26.55	▲	5.22 +24.5%
£/\$	1.23	1.23	▼	-0.00 -0.4%
£/€	1.11	1.09	▼	-0.02 -1.6%

*(12 month Rolling Contracts)

Beond Rolling Annual Energy Indices



Wider Market

Coronavirus (Covid-19): Pubs, restaurants, hotels and hairdressers can open from 4 July in England, when social distancing rules will be eased.

Prime Minister Boris Johnson said people should remain 2 metres apart where possible but a "one metre plus" rule would be introduced.

Please be aware of government guidance regarding Covid-19: "Stay at home, save lives".

- stay at home as much as possible
- work from home if you can
- limit contact with other people
- keep your distance if you go out (2 metres apart where possible)
- wash your hands regularly

Please contact your Beond Account Manager if you are at unsure what impact Covid-19 may have on your energy contracts.

Bearish Price Drivers (↓)

- ◆ The danger of major companies going out of business could have a major impact on gas and power demand.

Bullish Price Drivers (↑)

- ◆ European countries incl. the UK and Germany are gradually emerging from lockdown. As gas and power demand picks up, prices could recover.
- ◆ Gains in carbon prices may also drive electricity prices higher, although this may depend on how serious Covid-19 has hurt the global economy.

Recommendations

- ◆ Despite an ongoing recovery in energy markets, UK gas and power prices aren't significantly above record low levels and so are still extremely favourable for clients looking to lock in savings for long-term energy contracts, as long as action is taken quickly.
- ◆ The UK and many other European countries have already eased lockdown restrictions meaning we will see energy demand increase, boosting prices. The volatile nature of energy markets means businesses should start their energy renewals immediately, and consider locking in longer-term gas and power contracts by the end of July.

Ofgem sets cap on balancing charges amid Covid-19: Ofgem has approved a £15/MWh (1.5 p/kWh) price cap on Balancing Services Use of System (BSUoS) charges from 25 June until 31 August 2020, following skyrocketing forecast costs.

Any under-recovery of revenue from the cap will be recovered through BSUoS charges equally across all settlement periods in 2021/22.

Revised annual targets for smart meter installs: The UK government is planning to set suppliers revised annual targets starting mid-2021 in a bid to stop the smart meter rollout losing steam.

Last September, government admitted publicly that the rollout would need more time, and consulted on extending it to 2024. The new plan involves giving suppliers annual targets to hit, which raises the prospect of annual penalties, in order to hit 85% coverage by 2024.