

# ENERGY NEWSLETTER

ISSUE 31, DECEMBER 2016

## Market Update

Over the last few months, and particularly into the onset of Q4 2016, market prices have become extremely volatile. From the middle of March, prices rose steadily across both power and gas, reaching a peak in mid July. From this point the markets softened, gradually falling throughout August and into September. However, from the 15th Sept rates rose rapidly, jumping back to the July peak within two weeks and showing extreme spikes on the power day ahead market. Near term prices on the monthly indexes rose rapidly, with power prices for Jan 2017 rising from £52/MW on the 30th Sept to £67.54/MW on the 6th Oct, a 30% increase in one week. Prices continued to rise quickly until the first week of Nov, at this point seasonal indexes fell sharply, although the drop in prices for this winter was much more muted.

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		01-Sep 2016	03-Oct 2016	01-Nov 2016	14-Nov 2016	High	Low
<b>Brent Oil</b>	<b>\$/BBL</b>	45.13	49.17	47.87	43.73	51.56	43.73
<b>UK Gas p/th</b>	<b>Day Ahead</b>	21.42	32.53	49.63	46.11	52.87	20.7
	<b>Month Ahead (Dec 16)</b>	40.62	44.46	52.97	48.73	54.75	39.53
	<b>S17</b>	36.37	39.5	46.11	40.75	46.32	35.45
	<b>W17</b>	41.82	44.99	51.06	45.76	51.06	41.18
	<b>S18</b>	37.71	40.53	45.75	40.09	45.75	37.11
	<b>W18</b>	42.55	45.33	50.79	44.94	50.79	41.97
	<b>UK Power</b>	<b>Day Ahead</b>	30.33	44.25	70	67.58	150
<b>Baseload £/MW</b>	<b>Month Ahead (Dec 16)</b>	45.55	54.6	76.64	74.65	82.3	43.61
	<b>S17</b>	38	41.05	46.77	42.36	47.15	37.7
	<b>W17</b>	42.7	45.5	51.06	46.38	51.12	42.3
	<b>S18</b>	36.75	38.2	42.5	37.1	42.5	36.43
	<b>W18</b>	40.49	42.83	47.1	40.74	47.1	40.45

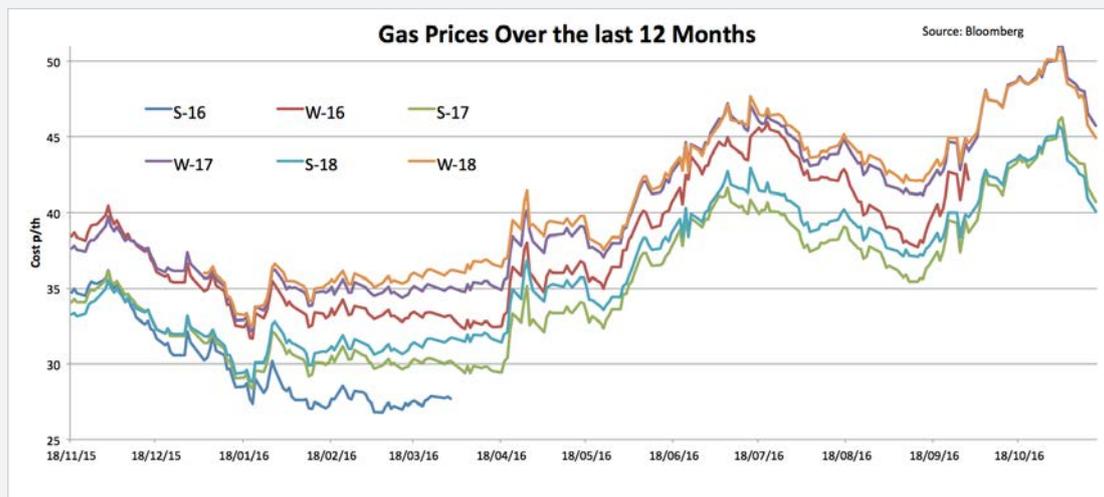
Overall price movements since Sept indicate a high level of uncertainty in market movements over the current winter period. Day ahead prices have seen unprecedented spikes, exceeding £150/MW on the 7th Nov. Prices for winter months have also seen very sharp price increases, with Jan 17 hitting £88/MW on the 3rd Nov. Overall price increases have been significantly more volatile on power than gas, in addition movements have been much more severe on rates for this winter period although increases have spread to outer seasons.

The market volatility seen over this period is largely due to the very poor level of spare generation capacity currently available to the UK. Coal plant closures over the last few years have not been adequately compensated by new baseload plant. Therefore, there has been a significant drop in reliable generating capacity over the UK. Coinciding with this decrease in coal plant there has been a substantial increase in wind capacity. Given the nature of wind output, this increased reliance has led to a more unsettled market over winter 2016; high wind output leads to a fall in near term pricing whereas periods of low wind result in very rapid price spikes. The difficulty in predicting wind performance more than two weeks into the future has also played very heavily on front month rates, raising the risk of system supply problems and therefore causing price rises.

Falling UK reliable power supply has also increased the grid's reliance on interconnector imports from France and therefore increased the UK energy markets exposure to problems on the near continent. This is exactly what has occurred over the last three months. In France the normally reliable nuclear fleet has suffered a series of forced shutdowns for safety checks. These unplanned outages sharply reduced the level of available exports to the UK, halving the average exports seen since Sept 2016.

Alongside the tribulations of the power market the gas market is also under stress, albeit currently to a lesser degree. Concern on the gas market remains focused on the record low levels of gas currently in UK storage. The UK's only long range storage site is suffering from well pressure limitations that have prevented it injecting gas over the second half of summer and currently also prevented withdrawals of gas already in stock. The site is expected to be operational from the 9th Dec, but the long period offline has left it with much lower stocks than normal for this point of the year.

Gas stock levels in the UK currently stand at 47.24% of capacity (as of 18th Nov 2016). At this point in a normal year storage levels are expected to be around 85% of capacity. So far these very low storage levels have had a relatively limited impact on gas prices compared to power. However, with the onset of colder weather these already reduced reserves will deplete rapidly. If the UK experiences a prolonged cold period it will significantly raise the prospect of supply problems in Q1 2017 with a corresponding bullish price impact.

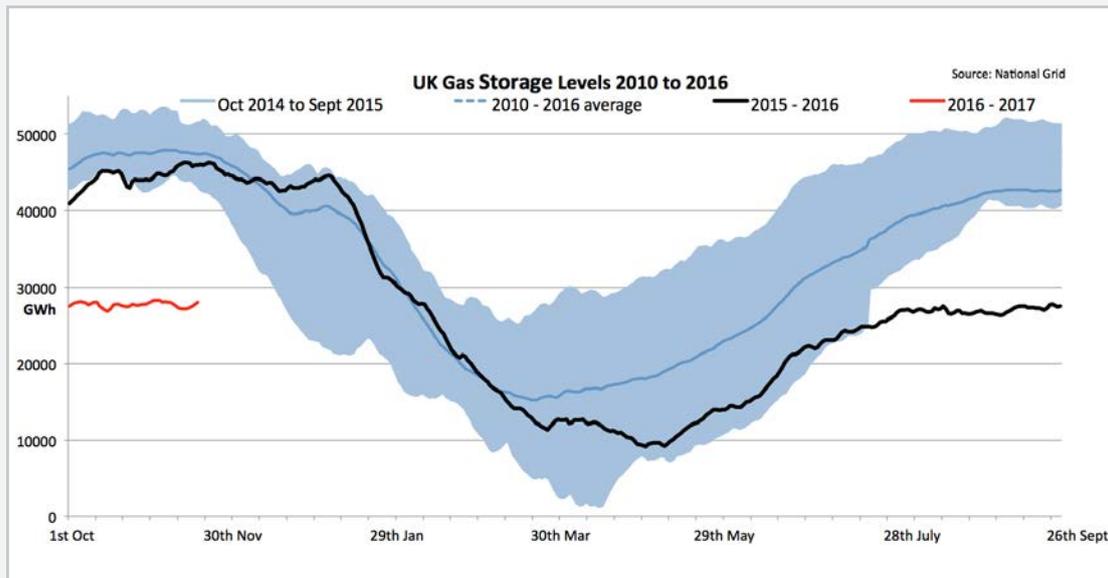


Gas prices over the last 12 months



Power prices over the last 12 months

In the wider market the UK is suffering somewhat from lower than normal LNG imports into the system. This is predominantly due to increased Asian demand as the key heating season in North West Asia begins. Overall the level of available LNG internationally remains well above current demand, indicating that the UK will be able to attract healthy volumes over the winter as a whole. On a more local level pipeline imports from Norway have reached maximum winter flows after a slow start in Oct and imports from the near continent have begun following net exports over the summer. All three of these import pathways have been impacted by the very poor exchange rate, increasing the cost of gas to the UK market.



UK Gas Long Range Storage (LRS) Levels 2010 to 2015

The international oil markets have recently experienced a major shock following an OPEC agreement on the 30th Nov to cut production. OPEC agreed to reduce output by 1.2 million barrels per day, a reduction that will go a long way to remove the current market oversupply. Most analysts had predicted that the differences between Saudi Arabia, Iran and Iraq would be too severe to secure any agreement. Therefore the announcement of a deal came as a surprise, leading to a sharp increase in oil prices. Compounding the shock was the news that Russia would also participate in cuts to the tune of 300,000 barrels per day. This may be seen to be believed though as Russia has previously promised production cuts without delivering. Overall though the agreement to reduce output for the six month period stipulated has led to a sharp upwards movement in oil prices.

Politically the current legal challenge over the calling of article 50 is not directly having a significant impact on markets. Rather its impact is felt via the fluctuations caused in the currency markets and therefore the changing cost of importing gas, coal, uranium and power. In the US analysts are struggling to unpick potential policies that may emerge from the recent US election. Whilst details are scarce it appears that the gas and oil shale producers will be the most immediate beneficiaries with the potential relaxation of methane emissions regulations.

Overall market conditions for the remainder of the winter are expected to be volatile, with a sharp focus on wind and temperature conditions. Any significant power maintenance problems will have a huge impact on prompt pricing and extended cold snaps will leave the UK with dangerously low levels of gas storage. Winter 2016 has already seen greater price fluctuations than any season in the last decade and has the potential to be one of the most unstable market periods on record.

## Charity Update

We have had another successful couple of months with our fundraising in LASER. October saw us take on some Halloween fun in the office with a Pumpkin Carving competition, Trick or Treat lucky dip and fancy dress. It was a great success and we raised £128.26 for Heart of Kent Hospice.



Children in Need took place in November and we were thrilled to be involved this year. Across the Energy division we took part in a "Wear your PJ's to Work Day", sold cupcakes and raffle tickets to win a wonderful cake made by Radmila Stembbridge in LASER. We raised £235 and were thrilled.

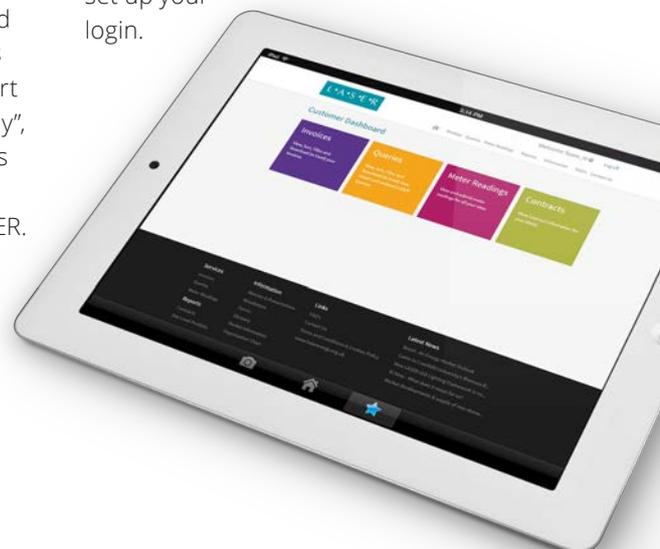
## LASER Portal

Do you have access to the LASER web portal? If you're a Fully Managed customer you can use the web portal to access your full invoice history, upload meter readings, download copy invoices and have visibility of queries.

If you have not yet signed up to the portal and would like to gain access please contact –

[laserreportingteam@laserenergy.org.uk](mailto:laserreportingteam@laserenergy.org.uk)

and we will be happy to set up your login.



## Staff Profile



**FULL NAME**  
Dale Fuller

**JOB TITLE AND ROLE**  
Customer Relationship Assistant

### JOB ROLE

Daily management of SME and Independent accounts.

### PAST EMPLOYMENT

I was a Stock team leader at Argos for 2 years then worked Nights in Tesco as a general assistant for 3 years.

### ABOUT ME

I have worked for LASER since February 2016. I have two boys called Harley and Albie with a third child on the way.

### INTERESTS/HOBBIES

I am a life-long Gillingham FC fan and am a Coach for a local Football team.

### GUILTY PLEASURE

I love to listen to Justin Beiber.

### INTERESTING FACT

I can fit a whole digestive in my mouth without breaking it.

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