



## UK Energy Market Update



**UTILITY TEAM**  
Energising your business



# Intro to UT



Utility procurement specialist providing a host of services to industrial and commercial customers.

## PROCUREMENT

- Create tender specification
- Develop trading strategy
- Manage supplier transactions
- Credit negotiations
- Agree KPIs

## MANAGEMENT

- Portfolio management
- Bill Validation
- Change of tenancy
- Compliance
- Environmental audits
- Risk management planning

## MONITORING

- Consumption reconciliation
- Performance management
- Issue resolution
- Improve data quality
- Sub metering and AM&T

## REDUCTION

- Identify ECMs
- Funding & RGF
- Supply Chain Selection
- Renewables
- PPA's
- Sustainability planning
- Tracking investment



>6000  
meters



>1.5TWh traded  
annually



>1600  
Customers



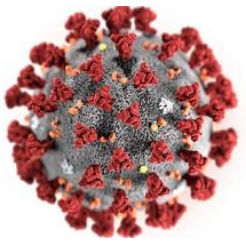
Customer  
Retention >90%



# Our customers



# UK Covid-19 Timeline



## 31 December

Wuhan Municipal Health Commission released a briefing on its website about the pneumonia outbreak in the city

## March 3

Government publishes its action plan for dealing with coronavirus

## April 11

Queen Elizabeth II makes her first ever Easter message to the nation

## July 4

Easing of lockdown with many businesses reopening

## 31 January

First case of coronavirus confirmed in the UK

## March 23

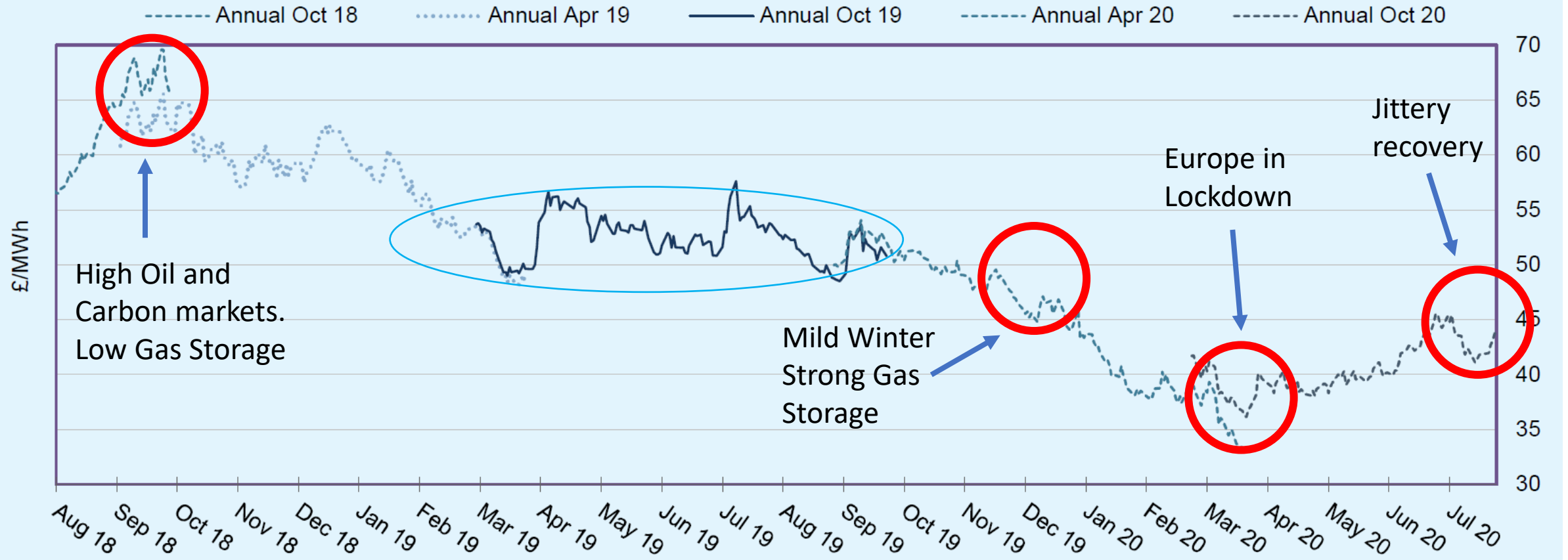
The Prime Minister announces UK wide lockdown

## May 10

'Stay at home' becomes 'stay alert' and PM sets out lockdown lifting plan

# UK Power Market

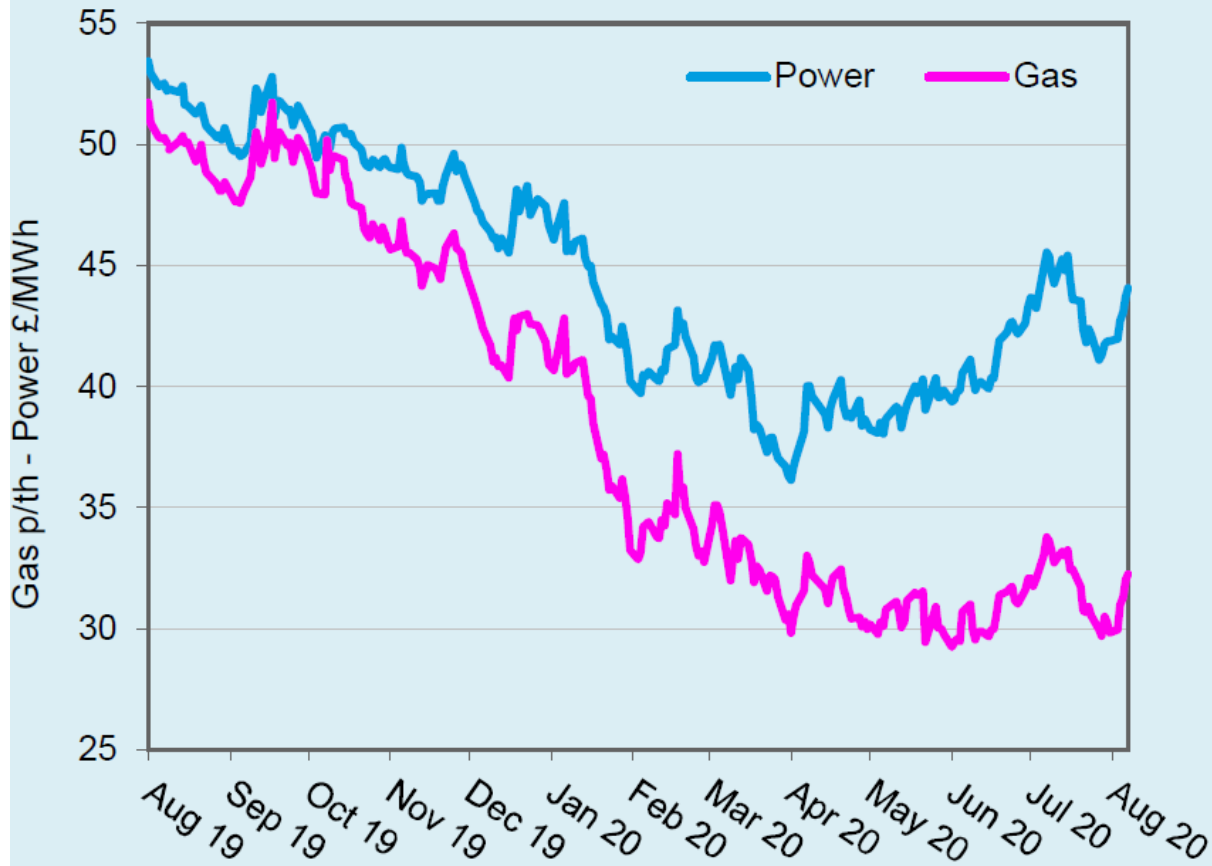
## POWER ANNUAL BASELOAD



Source: Haven Power

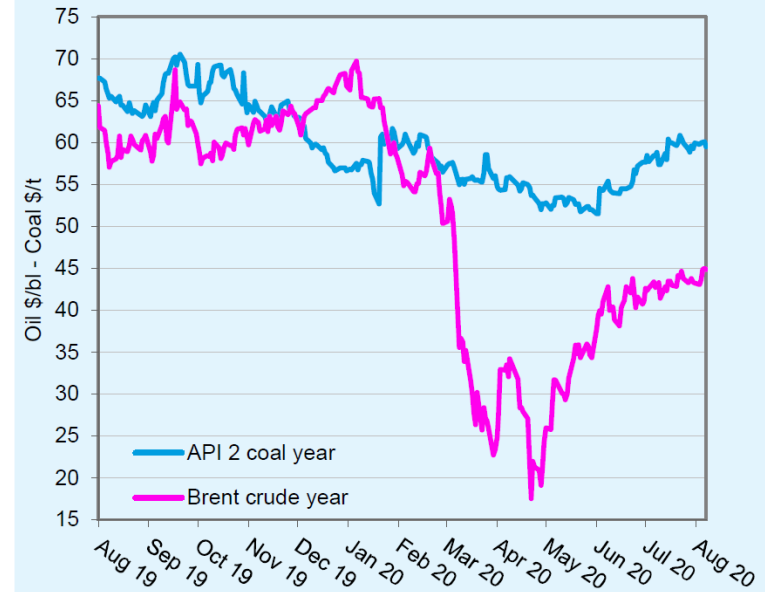
# Other Markets

POWER AND GAS YEAR OCT 20



Source: Haven Power

CRUDE OIL AND COAL



EU ETS CARBON DECEMBER 2020

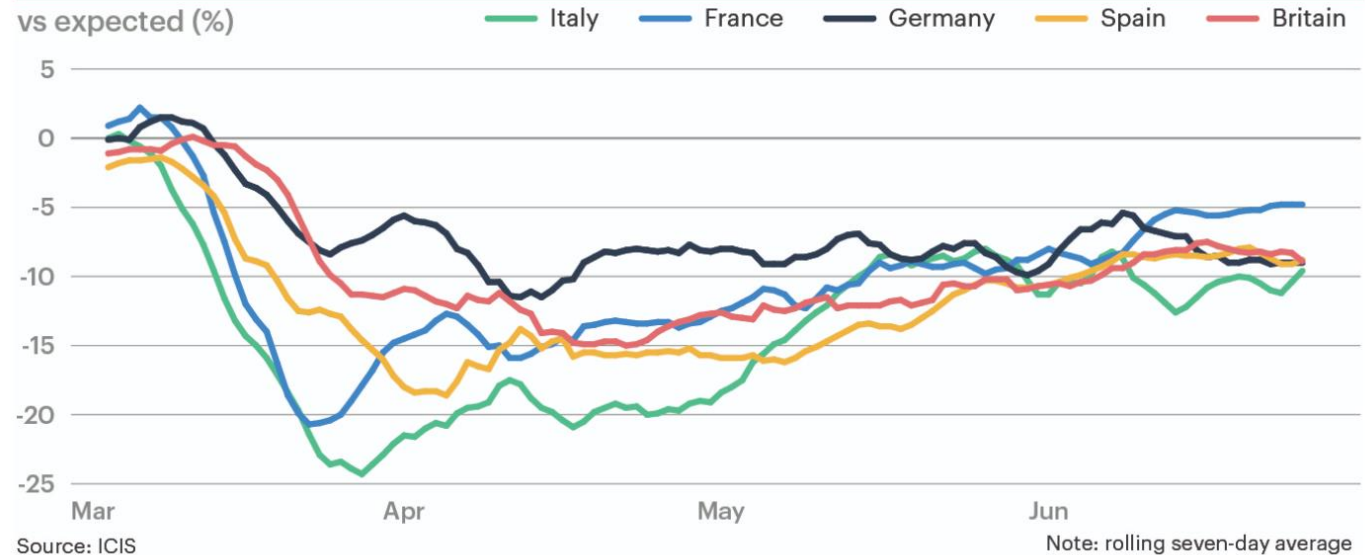


# Market Drivers



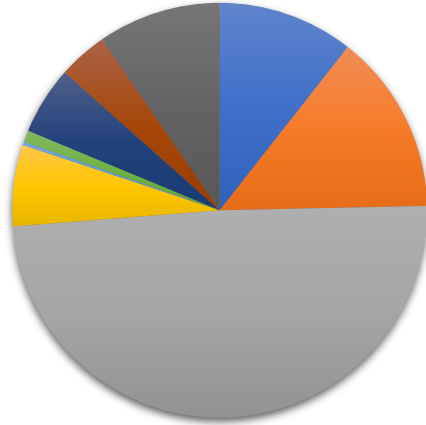
- **OPEC+** and **Russia** fail to agree on proposed oil-production cuts triggering a price war (agreement reached 12<sup>th</sup> April)
- Gas prices hit record lows across Europe and Asia
- Europe wide energy demand dropped 15-20%
- Gas Storage close to capacity
- Renewables take greater % share of generation mix
- Negative System Prices pays generators not to produce electricity

European electricity demand struggling to return to normal



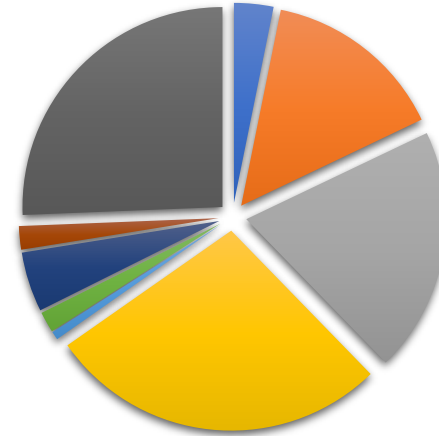
# UK Generation Mix

2pm - 31st Jan 2019



- coal
- nuclear
- ccgt
- wind
- pumped
- hydro
- biomass
- solar
- Interconnector

2pm - 31st Jan 2020



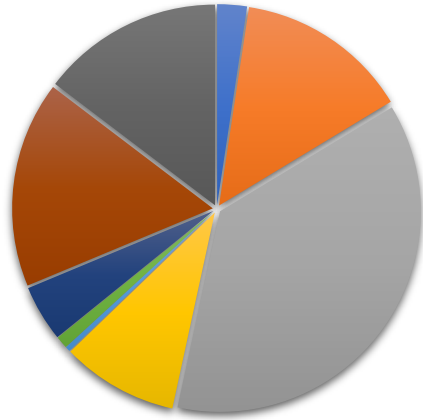
- coal
- nuclear
- ccgt
- wind
- pumped
- hydro
- biomass
- solar
- Interconnector

Year	Coal	Nuclear	CCGT (Gas)	Wind	Pumped	Hydro	Biomass	Solar	Interconnectors	Total Demand MW
2019	5241	6976	24319	3141	129	449	2625	1900	4754	<b>45016</b>
2020	1358	6285	8450	11758	287	717	2064	809	10936	<b>35602</b>
<b>YoY</b>	<b>26%</b>	<b>90%</b>	<b>35%</b>	<b>374%</b>	<b>222%</b>	<b>160%</b>	<b>79%</b>	<b>43%</b>	<b>230%</b>	<b>79%</b>



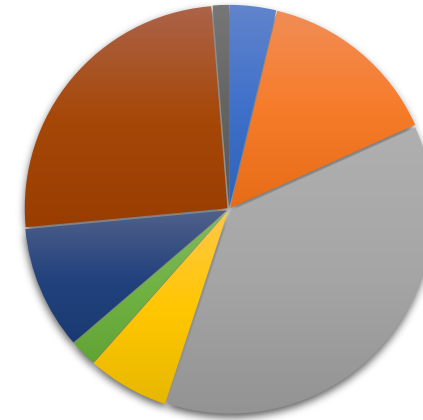
# UK Generation Mix

2pm – 28th March 2019



- coal
- nuclear
- ccgt
- wind
- pumped
- hydro
- biomass
- solar
- Interconnector

2pm – 26th March 2020



- coal
- nuclear
- ccgt
- wind
- pumped
- hydro
- biomass
- solar
- Interconnector

Year	Coal	Nuclear	CCGT (GAS)	Wind	Pumped	Hydro	Biomass	Solar	Interconnectors	Total Demand MW
2019	971	5669	15050	3816	162	398	1844	6750	5956	<b>31083</b>
2020	1138	4455	11264	1992	0	664	3009	7720	392	<b>25929</b>
<b>YoY</b>	<b>117%</b>	<b>79%</b>	<b>75%</b>	<b>52%</b>	<b>0%</b>	<b>167%</b>	<b>163%</b>	<b>114%</b>	<b>7%</b>	<b>83%</b>

# Impact on Consumers

- Reduction in commercial operations or total site closures has had serious impact on revenues
- Furlough scheme utilised by the vast majority of organisations
- Many organisations sought payment holidays from their utility bills
  - This facility was not forthcoming from the Energy Suppliers
  - A significant number of late payments or defaults have occurred
- Flexible, volume sensitive, energy products had to be reforecast or unwound
- Suppliers took some time to transition to home working resulting in a lack of service to consumers
  - This coincided with record low energy prices!

## Response from Suppliers

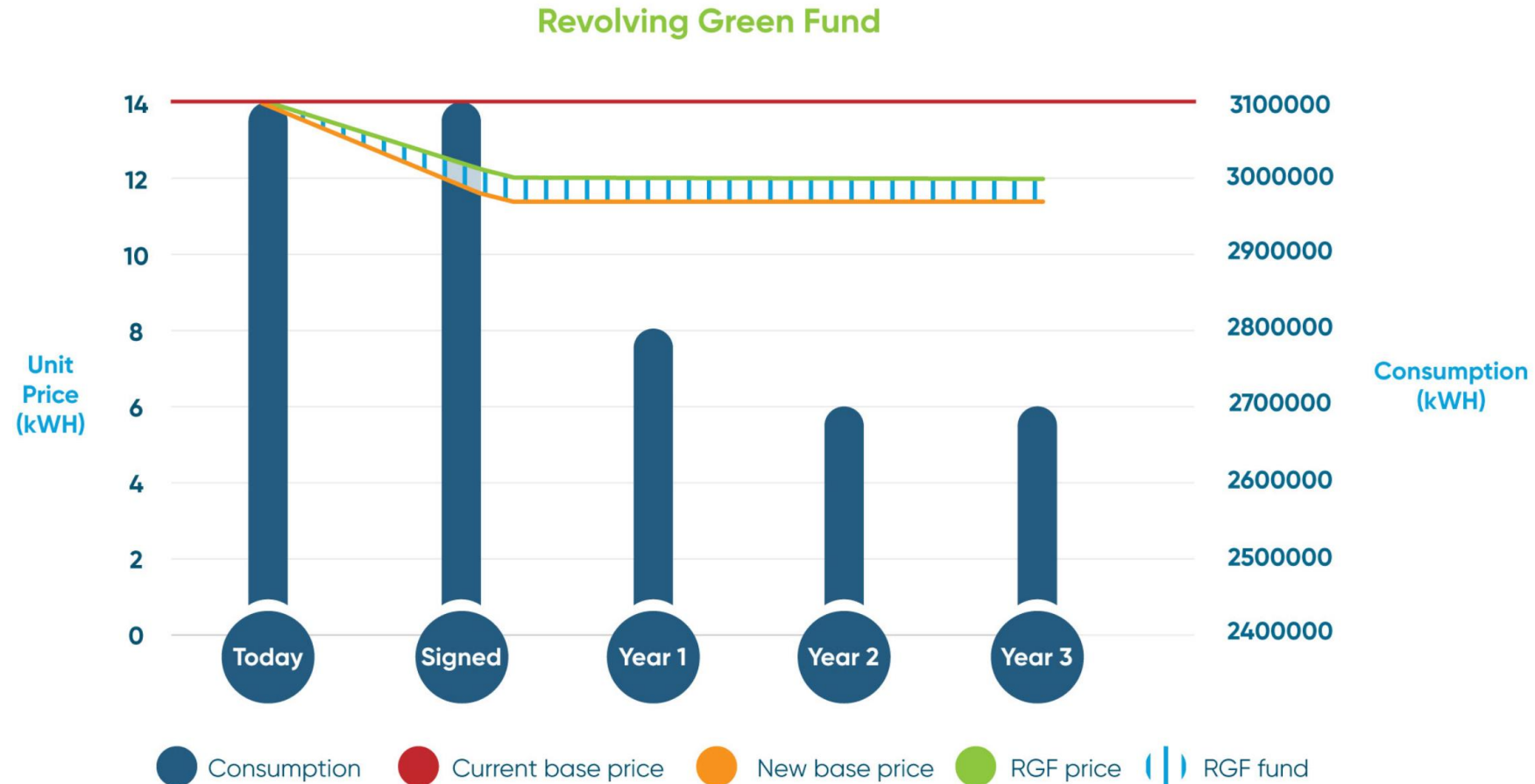
- Reduction in Service Level Agreements and query resolution
- Tightening of credit policy
- Restrictions on payment terms
- Increased risk premiums
- Reduced trading horizons
- Auto decline of new business from certain sectors –
  - Accommodation and food services
  - Arts, entertainment and recreation
- Removal of certain products – no standing charge, no volume tolerance

## How are we helping

- Review of all contract Ts&Cs so customer understand customer liabilities and what is likely to be enforced
- Sourcing alternative suppliers where failed on credit
- Advising customers of advantageous market condition
- Facilitating dialogue with suppliers and customers to work through late payments or debt issues
- Reforecasting consumption where businesses have prolonged shutdown or closures
- Providing interest free funding via our Revolving Green Fund

# Revolving Green Fund (RGF)

- RGF is essentially a draw down of funds against future energy spend. (Rebate)
- Fund is released, either before or at the start or an energy supply contract, allowing the customer to fund energy reduction initiatives.
- Impact on future consumption volume modelled prior to contract sign.



## Take or Pay – Volume Tolerance

Simply explained – a customer commits to buy a specific amount of energy from the supplier which is reconciled at regular intervals.

- Reconciliation typically occurs annually
- Larger suppliers tend not to enforce for anything but the largest customers due to the ‘portfolio effect’
- Smaller suppliers significantly more sensitive to under recovery of revenue and an over-hedged position

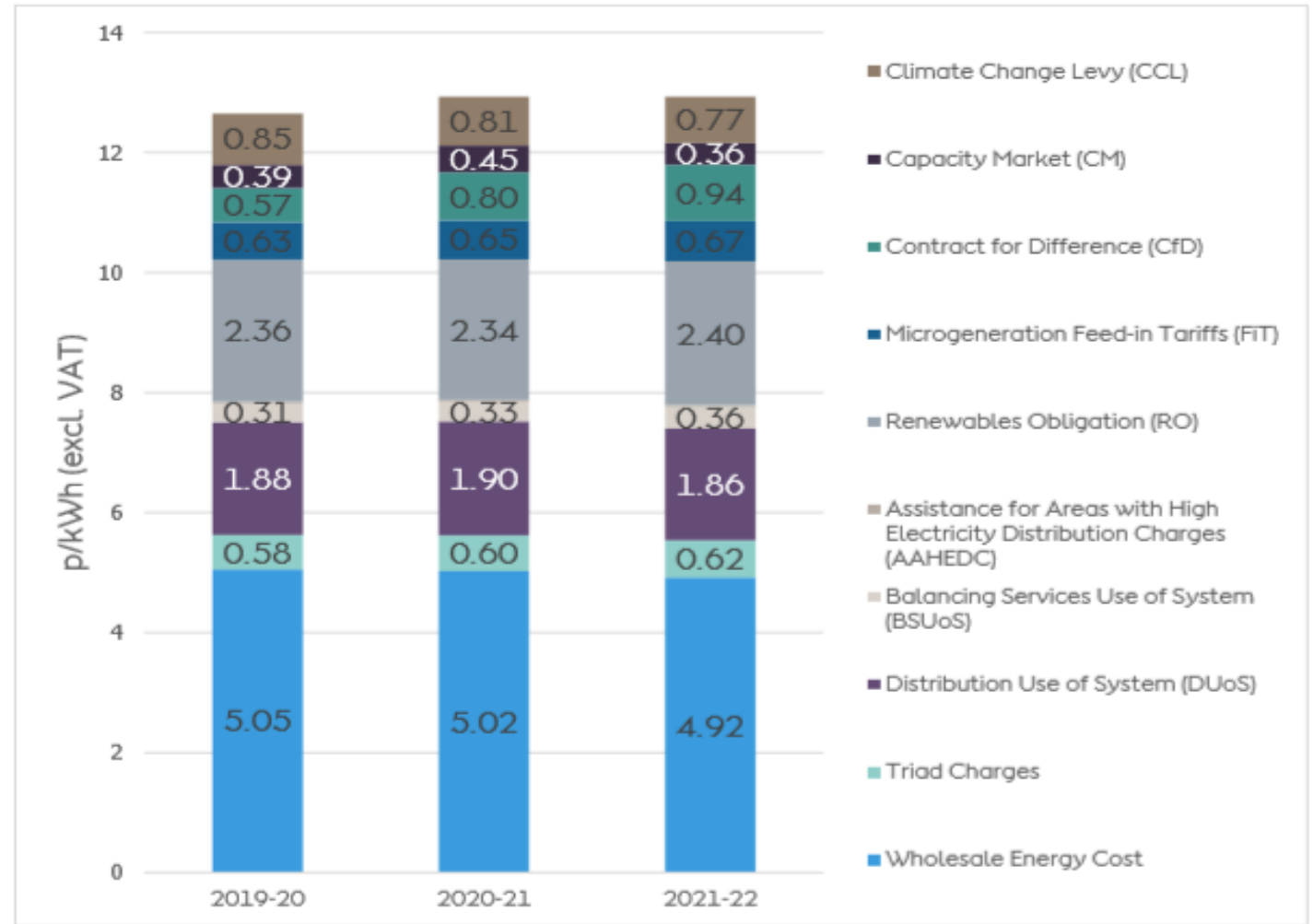
Contracted annual volume (kWh)	Volume Tolerance	Maximum annual volume without penalty (kWh)	Minimum annual volume without penalty (kWh)
1,000,000	20%	1,200,000	800,000

- Excess consumption is typically charged at the prevailing contract rate
- Under consumption results in the customer being charged for kWh they have not consumed!

# Price Stack

- Assuming a forward wholesale price of £45MWh, **Non Energy Costs make up 65% of delivered energy prices**
- Non Energy Costs forecast to increase c. 4% YoY.**
- The **Targeted Charging Review (TCR)** will replace the TNuoS (Triad) charging methodology with a fixed charge from 2021 adding c. £300m to UK business energy bills

Forecast delivered electricity costs 2019-20 to 2021-22

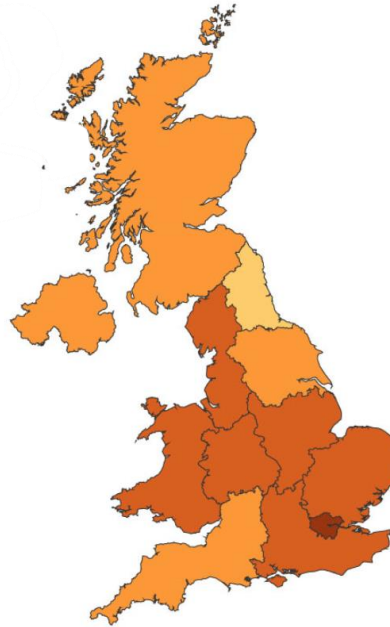


Source: Orsted

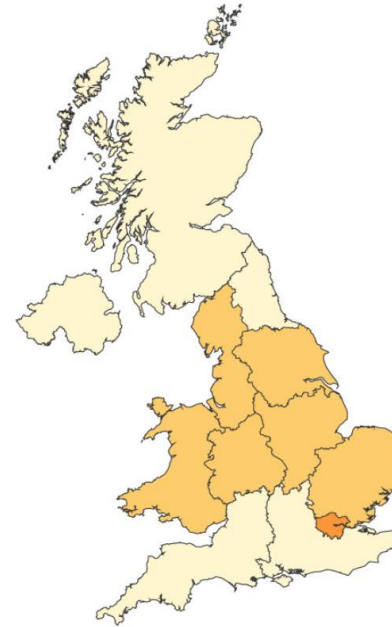
# Closing Summary

Average NO2: 10-14 15-19 20-24 25-29 >30

2019 - data from 25/03 to 07/04



2020 - data from 23/03 to 05/04



No Coal

Air quality improves

SOURCE: DEFRA



£3bn Retrofit Rishi



Changing attitudes in the boardroom



# Contact Us

**Chris Toze**  
**Head of Energy Services**

Email: [chris.toze@utilityteam.co.uk](mailto:chris.toze@utilityteam.co.uk)  
Tel: 07976878610

Utility Team Trading Ltd  
Unit 10 Bow Court,  
Fletchworth Gate,  
Coventry  
CV5 6SP