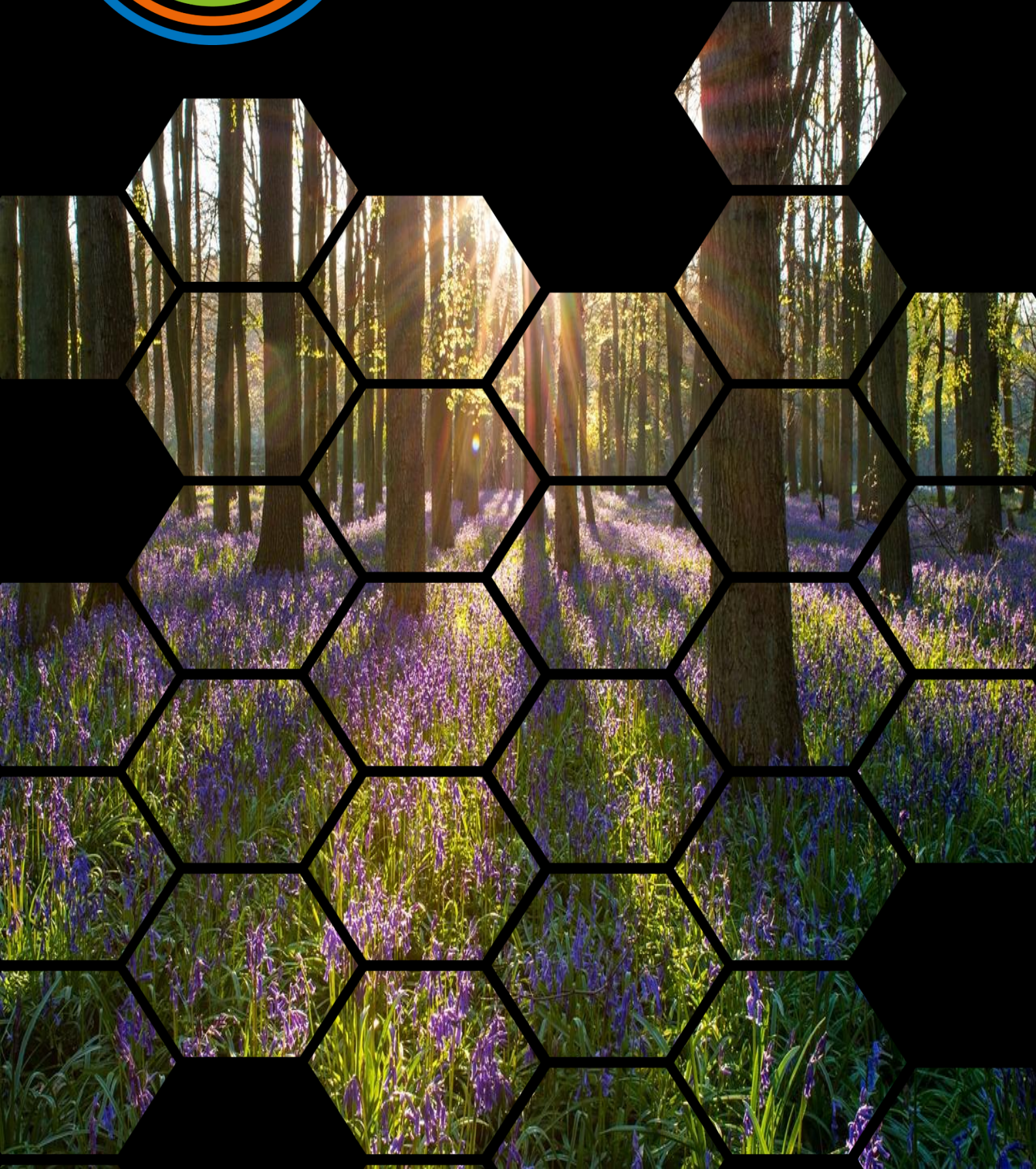




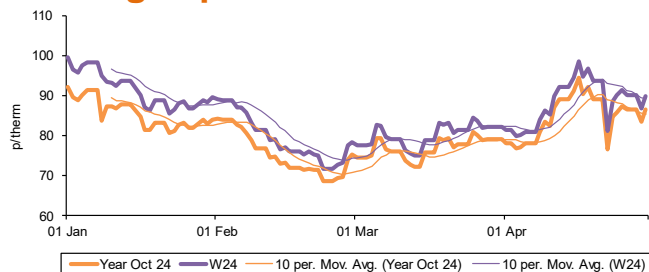
Digital Energy Element

May 2024

Market Bounces on Supply Concerns



Annual gas prices



In April, mostly upward trends were observed across most tracked gas and power contracts, continuing the overall bullish wholesale pricing movements that have been observed since March. However, day-ahead power was the exception, recording a month-on-month loss.

Seasonal gas contracts from Winter 24 to Winter 26 were on average 8.6% higher in April when compared to the previous month. This was due in part to elevated levels of maintenance across the Norwegian Continental Shelf, limiting total gas flows to GB. Moreover, forward contracts recorded gains as higher Asian gas demand for storage restocking, ahead of the winter period, bolstered competition for LNG shipments across Europe. Winter 25 was the premium gas contract, averaging 90.20p/th across the month.

Across the month, we saw the day-ahead gas price rise 5.0% to average 71.71p/th. Likewise, front-month contracts were up 7.5% on average when compared to March, with May 24 seeing a 6.6% rise and June 24 recording an 8.4% rise to 71.67p/th and 71.17p/th, respectively.

However, stronger gains were limited by high gas storage stocks across Europe, sitting at approximately 62.0% full at the time of writing, 3.4 percentage points above the levels seen last year according to data from Gas Infrastructure Europe.

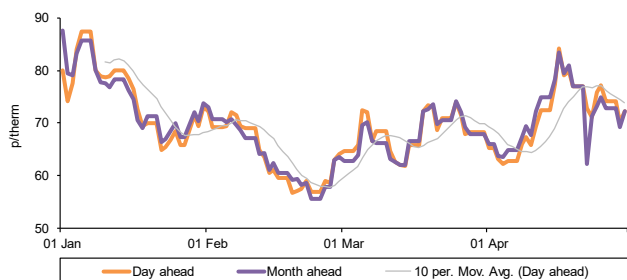
Despite being heavily influenced by its gas counterpart, day-ahead power prices averaged £58.78/MWh across April, down 10.0% when compared to the prices observed last month. This loss can be attributed to higher levels of wind generation across April, acting to decrease gas demand and the requirement for more expensive fossil-fuelled emitters. Likewise, day-ahead power was further influenced by a decrease to carbon prices across the UK. As a result, day-ahead power prices fell to the lowest level seen since July 2020 on 12 April at £26.50/MWh, and GB achieved a new low carbon intensity record of 19gCO₂/kWh on the 15 April at 1pm – beating the previous record of 21gCO₂/kWh achieved earlier in the month on 5 April.

A bullish trend was recorded across contracts further out on the forward curve, with May 24 rising 2.6% to £61.96/MWh and June 24 growing 7.2% to £63.53MWh. Likewise, seasonal power prices saw an upwards trend, increasing 6.0% on average – with Winter 25 the premium market, standing at £80.89MWh, up 7.0% when compared to March. Despite these upward movements, stronger gains were limited by the return of the Heysham 1 and Hartlepool nuclear reactors from maintenance at the beginning of the month, bolstering available power capacity across April as a whole.

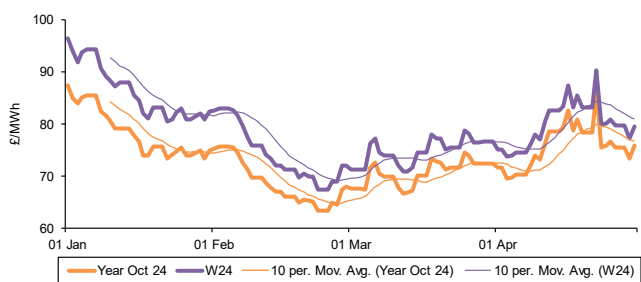
Brent crude prices rose 5.0% to \$88.87/bl, with prices reaching the highest level seen since October 2023 on 5 April at \$90.72/bl. This came following an attack on Russia's third largest oil refinery, limiting flows from the world's second largest oil exporter and tightening global supply levels, in parallel with maintained OPEC+ supply cuts of 2.2mn barrels per day. Crude oil is sensitive to developments in the economic sector, with stronger gains offset by the release of weaker economic data from the United States, adding to the growing market sentiment of reduced fuel demand across the country.

Across other commodities, the ETS schemes saw a mixed evaluation with UK ETS carbon falling 2.2% to £35.79/t, down from £36.60/t against the previous month. EU ETS, saw a much more notable change, rising 10.5% to average €65.92/t. EU ETS prices reached the highest level since January 2024 on 16 April at €74.11/t, as EU ETS prices remain strongly linked to Dutch TTF prices. Because of this, the rising geopolitical tensions in the Middle East throughout the middle of the month led to higher prices across the EU ETS.

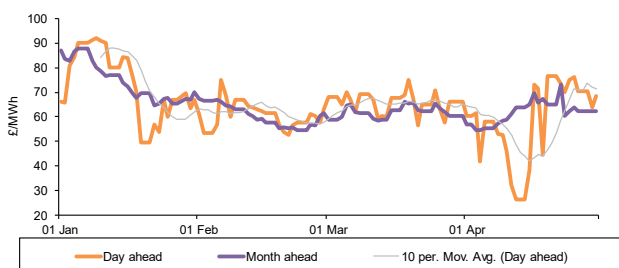
Spot gas prices



Annual power prices



Spot power prices





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Digital Energy Element / May 24

		Gas (p/th)		Electricity (£/MWh)		Coal	EUA Carbon	UKA Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(£/t)	(\$/bl)
This month	30 Apr 24	72.32	86.65	68.50	75.90	103.00	69.20	35.69	87.69
Last month	2 Apr 24	65.25	78.13	60.50	71.63	117.45	59.25	35.20	88.98
Last year	2 May 23	88.50	135.50	92.00	127.00	139.00	89.10	60.80	78.95
Year-on-year % change		(18%)	(36%)	(26%)	(40%)	(26%)	(22%)	(41%)	(11%)
Year high		135.00	135.50	142.00	127.50	140.00	94.55	62.65	96.05
Year low		56.70	68.43	26.50	63.50	77.30	51.60	32.30	72.60

This table shows the price at the end of this month compared with prices from the previous month and year. The graphs show the position of this month's prices with a red X and the range of prices over the year is represented by the black line.

Commodities

Carbon: EU Emissions Trading Scheme carbon is quoted as over-the-counter (OTC) latest opening prices. All carbon prices are in euros per tonne (€/EUA).

Coal: Coal is quoted as OTC latest opening prices. All coal prices are in US dollars per tonne (\$/t).

Electricity: UK power base-load and peak-load are quoted as OTC latest opening prices. All UK electricity prices are in pounds per megawatt hour (£/MWh).

Gas: UK National Balancing Point (NBP) gas is quoted as OTC latest opening prices. All UK gas prices are in pence per therm (p/th).

Oil: Brent crude oil is quoted as OTC latest opening prices. All Brent crude oil prices are in US dollars per barrel (\$/bl).

Language/ terms

Bearish: A bearish market shows a general decline in prices over a period of time.

Bullish: A bullish market shows a general increase in prices over a period of time.

Curve: A graph of forward prices over a future time period.

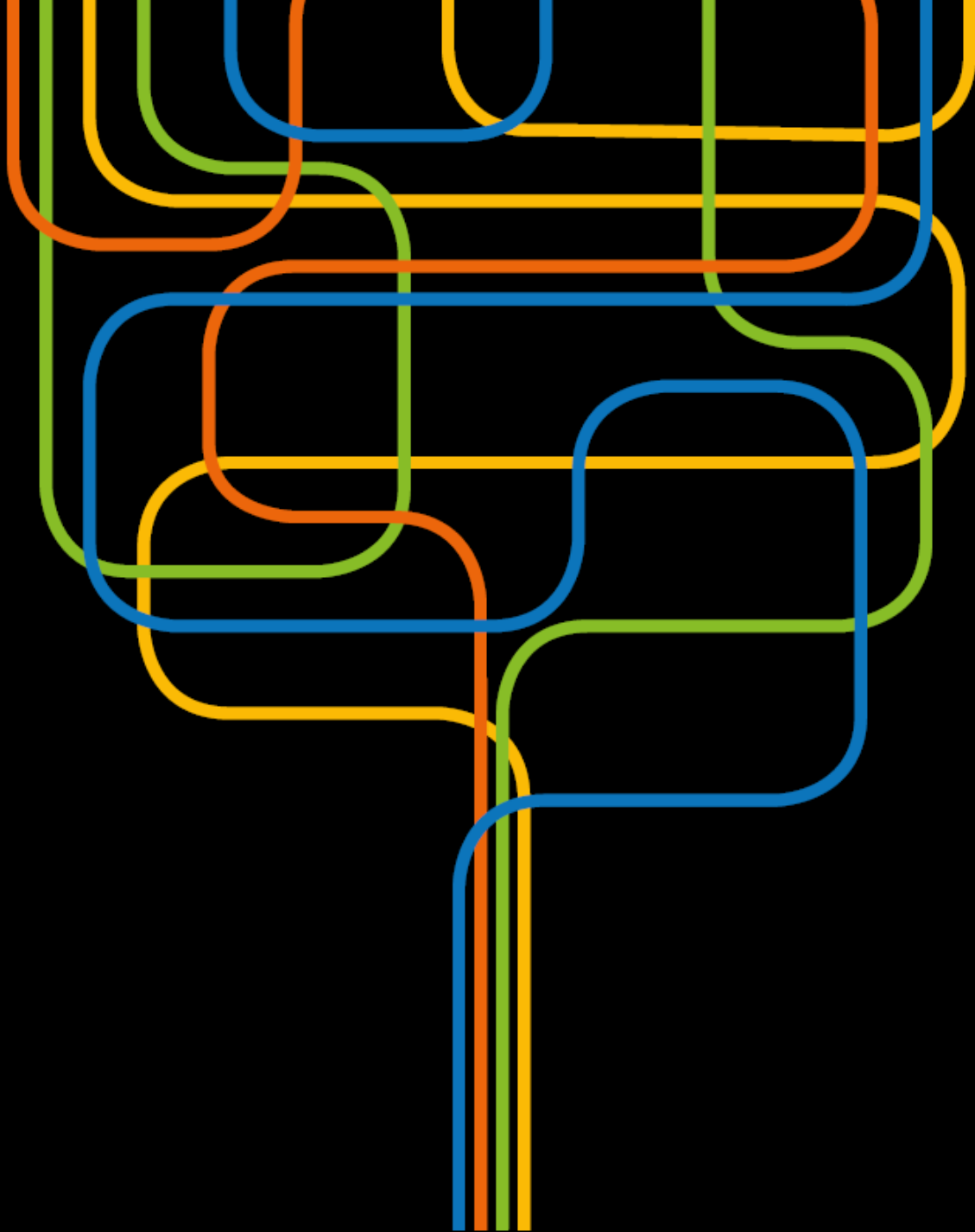
Margin: The indicated UK imbalance of a given settlement period. It is the difference between the sum of the indicated generation available, and the national demand forecast made by National Grid.

Over-the-counter (OTC): The trade of a commodity directly between two parties, often on standardised terms.

Spark/ Dark spread: The theoretical net income of a gas/ coal-fired power plant from selling electricity having purchased the necessary fuel. The clean spark/ dark spread is this net income adjusted for the cost of carbon.

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Small businesses now entitled to free Energy Ombudsman support

On 4 April, the government announced that it has set a new threshold that will enable small businesses to access the Energy Ombudsman. The Energy Ombudsman provides a “free and impartial service to consumers who have raised an issue with their supplier which could not be satisfied”. Currently, only businesses with a non-domestic energy contract that meets the definition of a relevant consumer – referred to by Ofgem as microbusinesses – can access the Energy Ombudsman to acquire dispute resolution assistance between themselves and their energy supplier.

The new definition, to sit alongside the existing microbusiness definition, will cover businesses with:

- Either fewer than 50 employees or their full time equivalent **and** an annual turnover of at most £6.5mn or a balance sheet total of £5mn.
- **Or** businesses with an annual consumption of electricity of not more than 200,000kWh.
- **Or** businesses with an annual consumption of gas of not more than 500,000kWh.

The government notes that the updated definition will extend Ombudsman access to approximately 4% more of the UK business population, totalling an additional 200,000 businesses alongside microbusinesses. It is estimated that 99% of businesses will now be able to seek redress. It adds that the Ombudsman has the power to order suppliers to provide compensation of up to £10,000 or take action to resolve issues. The government states that businesses will also be able to settle disputes with their energy broker via the Ombudsman to try and reduce rogue energy brokers targeting small organisations. It is hoped that this will help businesses to avoid costly legal proceedings.

Subject to Parliamentary approval, it is expected that the change will come into effect by winter 2024.

UK Government

Ofgem urged to investigate impact of standing charges on businesses

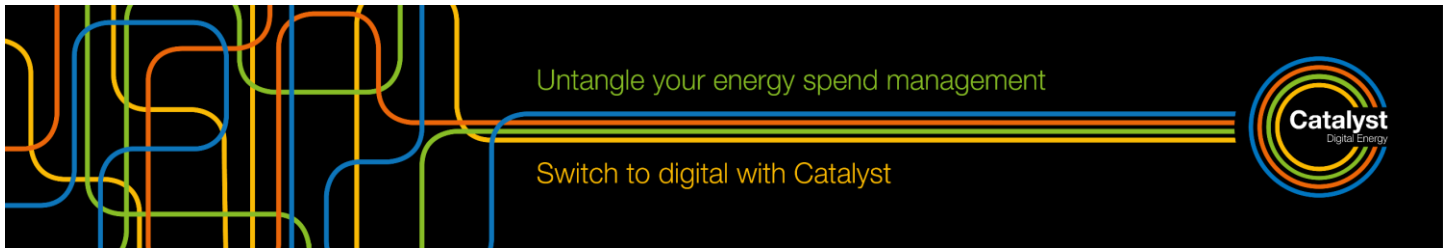
In a statement issued on 25 April, the Federation of Small Businesses (FSB) called on Ofgem to take action on the standing charges paid by small businesses, stating that many have seen daily fixed prices rise over recent months. It is asking Ofgem to investigate the impact of high standing charges for small business customers, noting the issue is being compounded by other economic challenges small businesses are currently facing.

According to FSB, small businesses based in rural areas have been disproportionately impacted by standing charge increases. As such, FSB is calling on Ofgem to do more to tackle urban/rural and regional-based discrepancies, noting that piling costs on small businesses in rural areas undermines efforts to level up more remote parts of the UK.

It is also calling on Ofgem and energy suppliers to provide more effective communication to small businesses around what constitutes a ‘standing charge’. It notes that this can be difficult for small firms to comprehend, which can then appear to be unfair if it is unclear what costs they go towards, especially for low energy users and those on prepayment meters.

In its letter, FSB also urged Ofgem to ensure that there is appropriate market integrity between suppliers and standing charge rates based on the variables that go into a supplier’s calculation of standing charges.

FSB



Decision on rules for non-domestic energy suppliers published

On 5 April, Ofgem published its decision on changes to non-domestic supplier requirements to address the issues found in its non-domestic market review, conducted last year. After receiving reports of consumer harm within the non-domestic sector toward the end of 2022, last year Ofgem conducted a review of the non-domestic market and sought to make changes that would help address some of the issues found. These included concerns around fair treatment of consumers, the handling of complaints for larger businesses, and transparency of Third-Party Intermediary (TPI) costs. Ofgem has now confirmed five key changes that will be introduced in a staggered approach over this year, which will add to the requirements on non-domestic suppliers.

From 1 July 2024, the Standards of Conduct will apply to all businesses of any size, rather than just microbusinesses. This will give Ofgem the power to take action against suppliers that do not treat non-domestic customers fairly. Also from this date, a new supply licence rule will be introduced for non-domestic suppliers, requiring them to signpost microbusiness consumers to Citizens Advice when they have an issue. From December 2024, this will also apply to small business consumers.

Other changes include the updating of the Complaints Handling Service, due to come into effect from December 2024. This will require suppliers to put in place suitable complaints processes for small business consumers and point them to the Energy Ombudsman when a customer does not feel the issue has been resolved. Ofgem will also implement a requirement for suppliers to only work with TPIs that are members of a redress scheme when securing Small Business contracts. It is hoped this will provide reassurance to business customers that they are able to access dispute resolution schemes and receive a fair and suitable outcome.

Ofgem

BT partners with UKBCH to help SMEs reach net zero by 2050

On 22 April, BT announced that it has partnered with the UK Business Climate Hub (UKBCH) to help UK small and medium-sized businesses (SMEs) halve their CO₂e emissions by 2030 and reach net zero emissions by 2050. It states that the partnership will bring together BT's expertise in supporting small business customers by using the UKBCH's free resources in order to help businesses reduce their carbon footprint and energy bills.

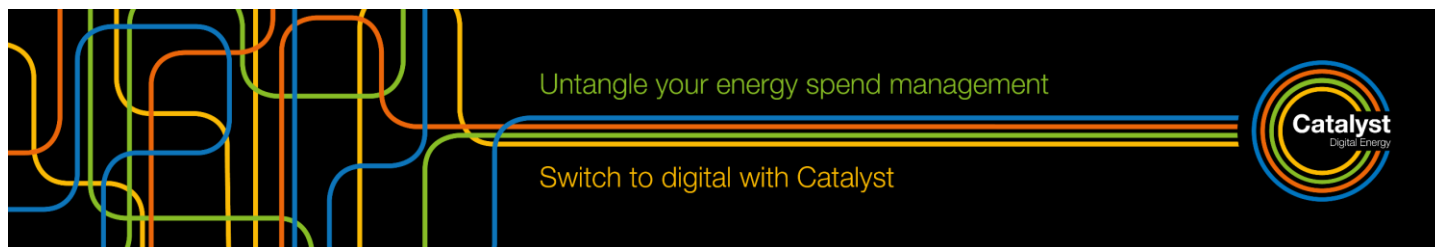
BT

UK Net Zero Business Census launched

On 1 May, Planet Mark announced that it has launched its annual UK Net Zero Business Census in partnership with the UK Business Climate Hub. It states that the census aims to determine the proportion of businesses in the UK which have set their own net zero targets. Planet Mark adds that by understanding the commitment levels of various organisations, there can be a clearer picture of the UK's progress towards achieving its net zero goals.

The survey will also assess the number of businesses actively measuring their carbon footprint and the actions they have taken to reduce it. The data will then be broken down by regions, sectors, and business sizes. It is stated that the UK Net Zero Business Census is open to organisations of all sizes and industries that are based in the UK. Census responses are requested by 30 June.

Planet Mark



Transition Plan Taskforce publishes latest transition plan resources

On 9 April, the Transition Plan Taskforce (TPT) announced that it has published its latest transition plan resources, designed to help businesses unlock finance for net zero by setting out a credible and robust climate transition plan as part of annual reporting on forward business strategy. It states that there is now an internationally recognised best practice disclosure framework for transition plans, as well as a suite of resources to support companies and financial institutions globally in mobilising transition finance.

Amongst the new materials, the TPT has published a sector-specific transition plan guidance for asset owners, asset managers, banks, electric utilities, power generators, the food & beverage industry, the metals & mining industry, and the oil & gas industry. The guidance provides information on foundations, implementation strategy, engagement strategy, metrics & targets, and governance.

The TPT has also published sector summary guidance with high level guidance for 30 sectors of the global economy; guidance on how to undertake a transition planning cycle; a paper on the opportunities and challenges of transition plans in emerging markets and developing economies; and independent advisory pieces from TPT working groups that explore how transition planning can extend beyond realising net zero.

TPT

Non-domestic best practice guide on billing transparency published

On 5 April, Ofgem published guidance on non-domestic best practices and voluntary standards to improve billing transparency for non-domestic customers. It states that the guidance is the first part of a staged approach to improving bill transparency in the non-domestic market. Ofgem notes, however, that the guidance should not be seen as a template or instruction, but instead as a synthesis of research on the subject that can inform suppliers' own information gathering.

The first section of the guidance focuses on the presentation of commodity and non-commodity costs to customers, and voluntary standards that suppliers can adhere to. It sets out explanations for different non-commodity costs, such as network and metering charges, environmental and social obligation costs, and third-party service fees, and suggests that suppliers should explain what proportion of each relevant cost makes up the unit rate and standing charge. Consumer groups suggested this could be done by showing this information as a percentage. It indicates that suppliers do not need to break down these individual costs but can do so if they feel it is appropriate.

The second section concerns the best practices for bills, with Ofgem noting it wants suppliers to use the guidance to build on discussions they have with their customers as they work to improve bill transparency. For all non-domestic customers, it states that best practice would be to signpost toward the Ofgem website on bills and encourage suppliers to provide the same information on their own websites.

Another principle is that billing monthly or quarterly can support customers in understanding their usage and help prevent them falling into debt. The guidance also lists some best practices in relation to smaller business customers, such as providing a graph to show customers' usage, clearly marking whether customers are in debt or credit and providing a clear explanation to customers when any charges occur.

Ofgem



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