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Digital Energy

Digital Energy Element

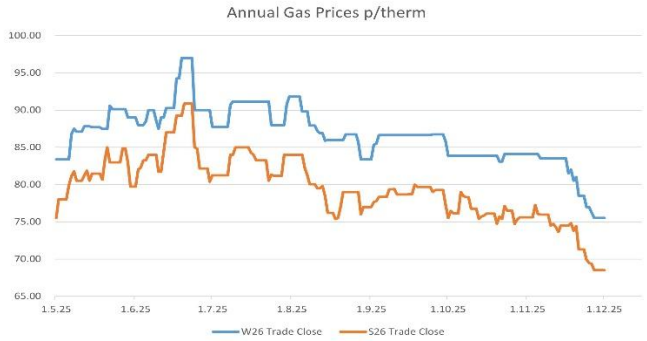
December 2025

Prices Pull Back From October Highs

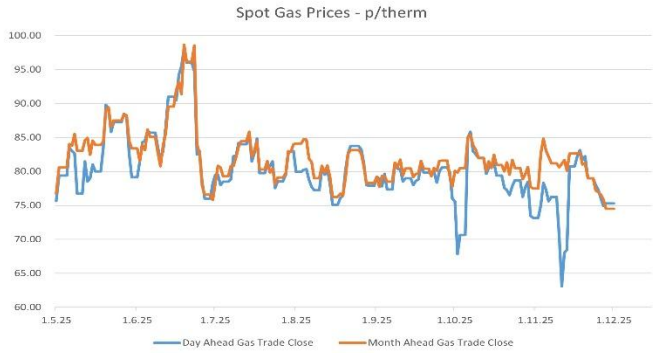
Untangle your energy spend management

Digital Energy Element / Dec25

Annual gas prices



Spot gas prices



Annual power prices

Spot power prices

November saw a continuation of two clear, competing forces shaping UK energy prices: stronger zero-carbon generation (particularly wind) steadily displacing gas in the short term, while structural concerns about gas supply and system resilience kept a risk premium alive in wholesale markets. Over the month wholesale gas fell back from October highs, UK NBP futures were around 10% lower across November, which helped push wholesale power prices down from some earlier spikes, but the market remained volatile as traders balanced weaker near-term demand against medium-term supply risk.

Wind generation frequently provided material downward pressure on wholesale power, with the system recording some of its strongest pushes from wind in November (notably a new high in mid-November), lowering the marginal role for gas in many daylight and overnight settlement periods. That higher renewable output reduced system carbon intensity on many days and, together with mild weather and falling demand, supported the downward drift in day-ahead and near-curve power.

Despite these near-term easing factors, policy and system-level messages kept a premium attached to gas and winter security. NESO and Government publications in late November flagged longer-term gas security concerns and opened consultations on measures to strengthen resilience, warning of potential shortages in the early 2030s under certain scenarios. Those signals, together with the global dynamics around LNG and European gas flows, sustain the possibility of price spikes on cold, low-wind periods and mean that price relief is conditional rather than structural.

Carbon pricing moved higher through November, adding a steady but smaller cost push to power generation economics and keeping thermal (gas) generation relatively more expensive when carbon is considered. The EU ETS range rose over the month, which amplifies the influence of renewables on the dispatch stack and supports higher forward power curve levels for periods where gas is still required.

On fundamentals, temperature-adjusted consumption fell modestly in the latest official statistics released during the month, reflecting milder weather and demand-side measures; that helped blunt some winter upward pressure that would otherwise have been felt more sharply given tighter supply back-drops. However, system planners and the market continue to treat prolonged cold snaps, unplanned outages or major LNG diversions as credible shock scenarios.

What this means for customers: the immediate picture going into December is that wholesale prompt and near-curve prices are generally lower than the October peaks, and strong renewables output can depress day-ahead prices significantly when conditions are favourable. At the same time, medium- and long-dated risk premia have not evaporated because of supply-security concerns and higher carbon, so fixed-price offers for later winters and multi-year hedges still reflect that premium. For businesses with flexible consumption, value remains in exploiting periods of low day-ahead prices and in demand-side measures; for customers with limited flexibility, a blended approach that captures some near-term value while hedging against winter spikes is sensible.

November's movement was largely a short-term easing on gas and power driven by renewables and milder demand, but that system-level warnings about gas resilience and rising carbon mean the market is still exposed to episodic spikes. Where appropriate, a procurement mix that blends short-term tactical purchasing with targeted longer-dated protection to lock in attractive pockets on the curve without leaving exposure to extreme events.

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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NESO warns of potential gas-supply shortfall in 2030s

The newly established NESO, in its first full gas–security assessment, cautioned that while overall gas demand is expected to decline over the decade, peak-day demand may not drop so quickly. That raises the risk of shortfalls on very cold, high-demand days if ageing infrastructure fails or is retired.

The warning underscores a structural tension: even as the UK decarbonises, dependable gas supply remains critical for winter resilience. For businesses, this reinforces the case for risk-management strategies such as hedging, diversified sourcing or flexible contracts.

Reuters

Ofgem to raise price cap slightly from January

In late November 2025, Ofgem announced a 0.2% increase to the domestic energy price cap from January, nudging the typical dual-fuel household bill up by £3 to around £1,758/year.

However, in the same budget statement, the government committed to removing certain green-levy schemes (notably the Energy Company Obligation, ECO) from April 2026, which is projected to cut average household bills by roughly £150/year.

Yahoo

Renewables under-performance, wind generation down through 2025, increasing stress on gas & thermal generation

According to recent data, UK monthly wind power generation fell short of 2024 output in six of the first eight months of 2025.

Lower renewable output pushes the system back towards gas and thermal-fired generation, increasing exposure to volatile gas markets.

This dynamic reinforces the argument to business customers for hedging strategies, especially if they're on flexible or variable contracts and exposed to shape/imbalance costs.

Reuters

Electricity costs remain among the highest globally for UK industry, challenging net-zero investment ambitions

Analysis this year shows UK industrial electricity prices remain very high compared with major European peers and the U.S. significantly eroding the competitiveness of energy-intensive businesses and undermining the case for rapid green-energy conversion.

For corporate clients, especially those considering decarbonisation or efficiency upgrades, this means energy cost remains a major constraint.

Reuters

Battery storage capacity hits a new milestone, strengthening UK balancing capability

The UK has now surpassed 6GW of installed battery energy storage, marking a significant step forward in balancing intermittent renewable generation.

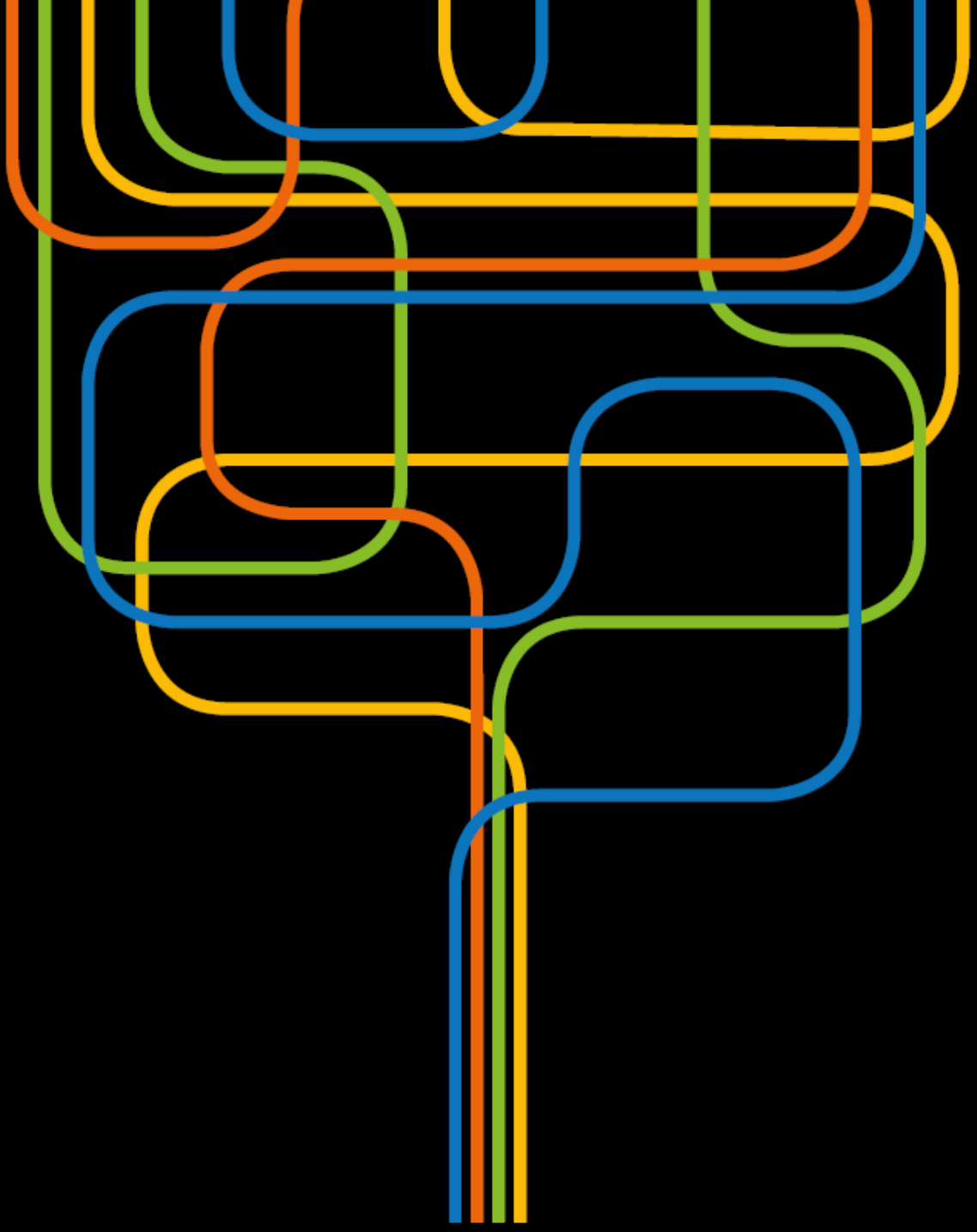
New projects coming online across the Midlands and Scotland are already providing crucial frequency response and reserve services to National Grid, reducing the system's reliance on gas-fired flexibility.

Analysts expect the UK could reach 10GW of capacity before 2027 if current investment rates are maintained.

While this is a positive structural trend, the market remains in a transition phase where storage alone cannot iron out prolonged low-wind periods.

As a result, gas remains a key marginal generator during peak demand events, sustaining some of the volatility seen in forward power prices. Businesses with high exposure to half-hourly pricing may benefit from time-of-use analysis or demand-management strategies as storage penetration continues to grow.

Energy Storage



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