# UK Energy Market Update

UTILITY TEAM
Energising your business

HPF
HEAT PUMP FEDERATION

# Intro to UT

UTILITY TEAM
Energising your business

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

| PROCUREMENT | MANAGEMENT | MONITORING | REDUCTION |
|---|---|---|---|
| • Create tender specification<br>• Develop trading strategy<br>• Manage supplier transactions<br>• Credit negotiations<br>• Agree KPIs | • Portfolio management<br>• Bill Validation<br>• Change of tenancy<br>• Compliance<br>• Environmental audits<br>• Risk management planning | • Consumption reconciliation<br>• Performance management<br>• Issue resolution<br>• Improve data quality<br>• Sub metering and AM&T | • Identify ECMs<br>• Funding & RGF<br>• Supply Chain Selection<br>• Renewables<br>• PPA's<br>• Sustainability planning<br>• Tracking investment |

**>6000 meters**

**>1.5TWh traded annually**

**>1600 Customers**

**Customer Retention >90%**

# Our customers

ZURICH

Cloudfm Group

Kingspan

Southern Farmers Ltd.

dpd

amey

Wembley Park

JCB
SCOT JCB

Sarginsons
PIONEERS IN ALUMINIUM DIECASTING

Leicester City Football Club

Goodman

HOMEBASE
Always low prices

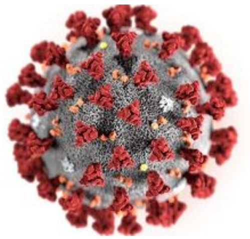
leadec
Industrial Services

workman

WASPS

UTILITY TEAM
Energising your business

# UK Covid-19 Timeline



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

**31 January**
First case of coronavirus confirmed in the UK

**March 3**
Government publishes its action plan for dealing with coronavirus

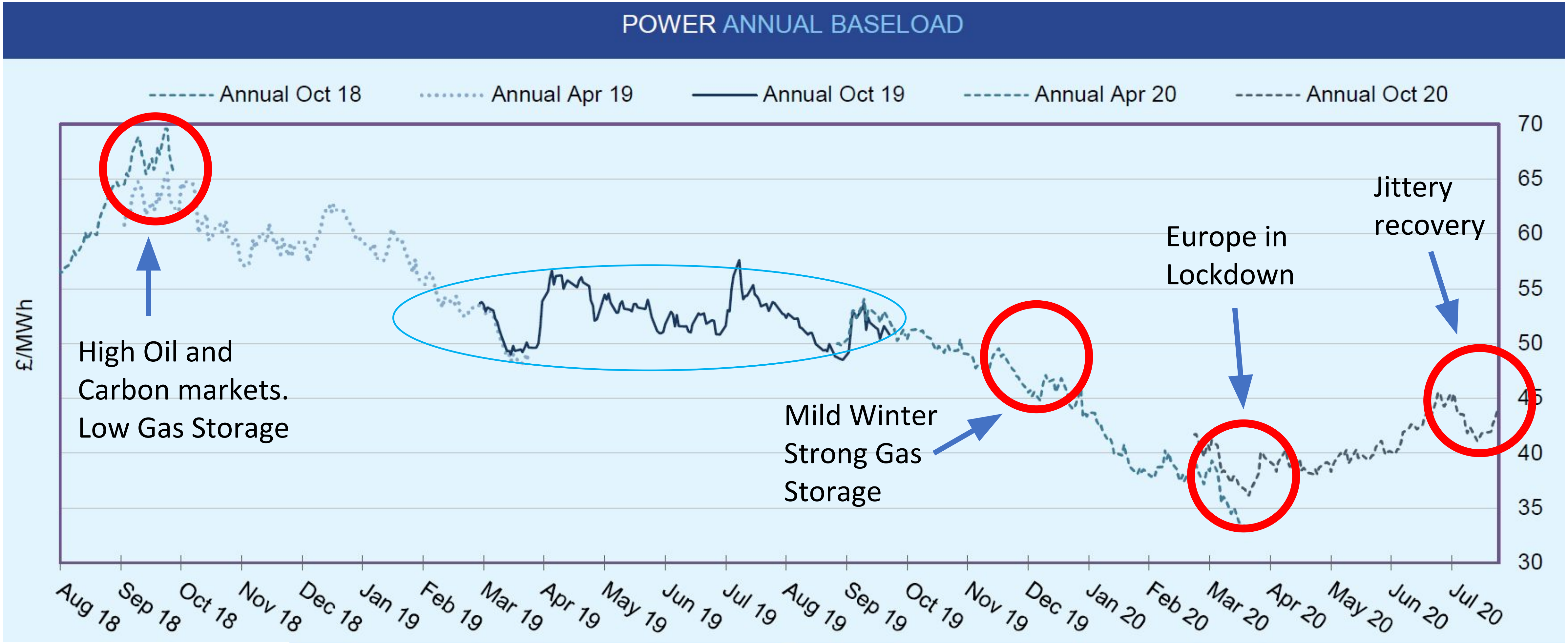
**March 23**
The Prime Minister announces UK wide lockdown

**April 11**
Queen Elizabeth II makes her first ever Easter messa
ge
to the nation

**May 10**
'Stay at home' becomes 'stay alert' and PM sets out lockdown lifting plan

**July 4**
Easing of lockdown with many businesse
s
reopening

# UK Power Market

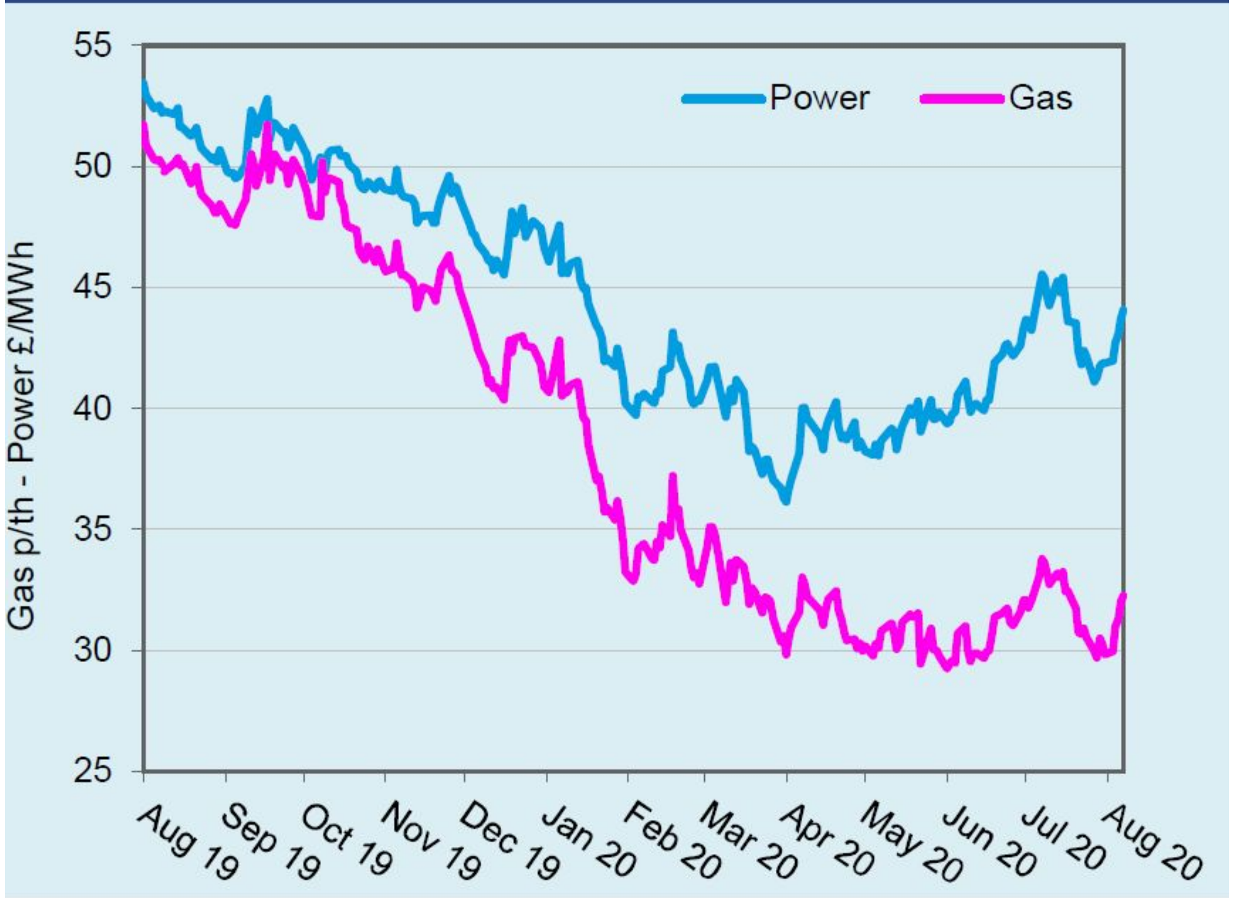



Source: Haven Power

UTILITY TEAM
Energising your business

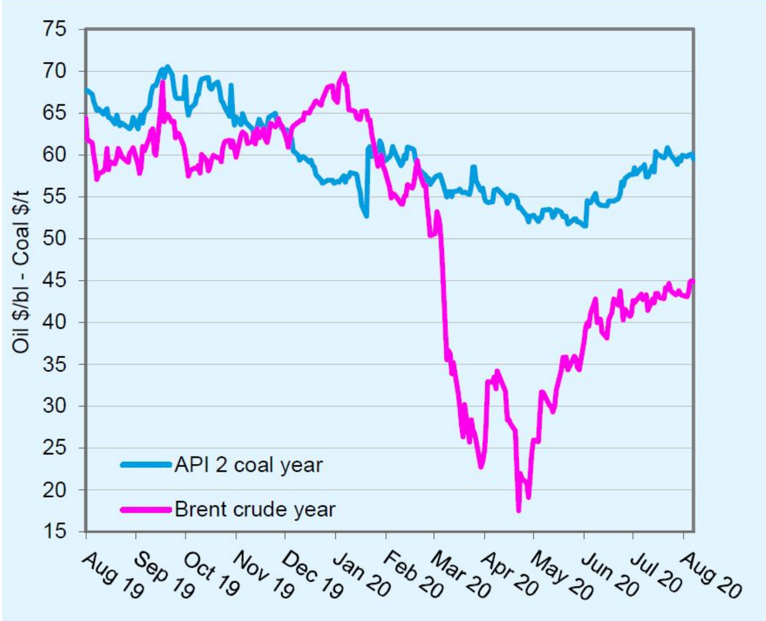
# Other Markets

POWER AND GAS YEAR OCT 20




Source: Haven Power

CRUDE OIL AND COAL



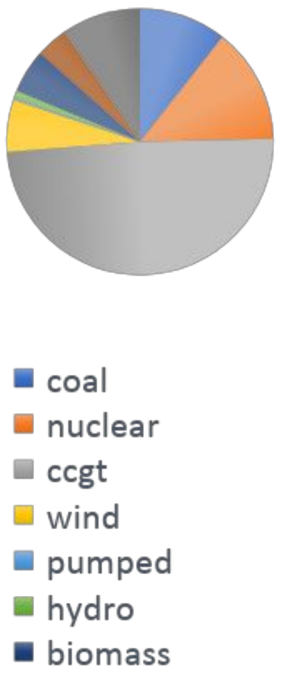

EU ETS CARBON DECEMBER 2020

# Market Drivers

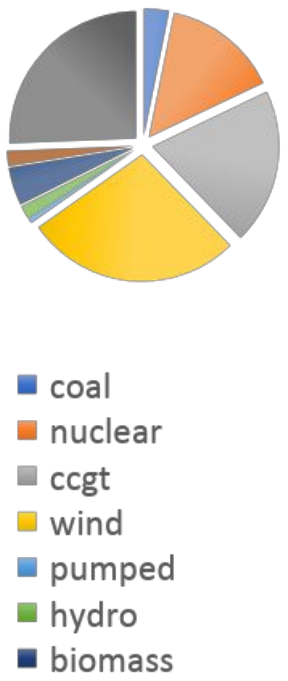
- **OPEC+** and **Russia** fail to agree on proposed oil-production cuts triggering a price war
- Gas prices hit record lows across Europe and Asia
- Europe wide energy demand dropped 15-20%
- Gas Storage close to capacity
- Renewables take greater % share of generation mix
- Negative System Prices pays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

# UK Generation Mix

**2pm - 31st Jan 2019**




**2pm - 31st Jan 2020**

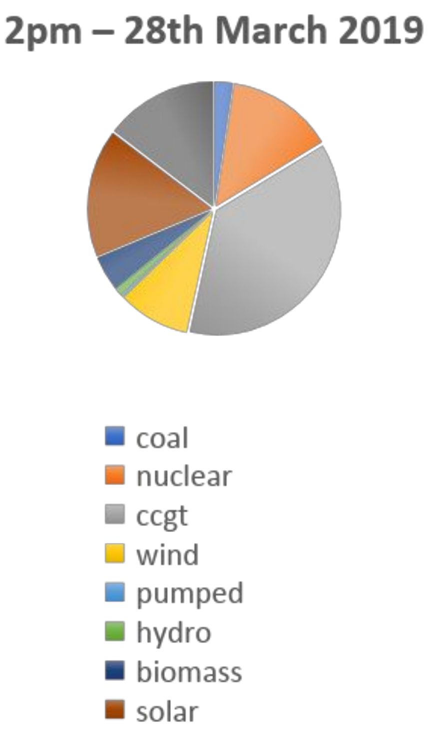


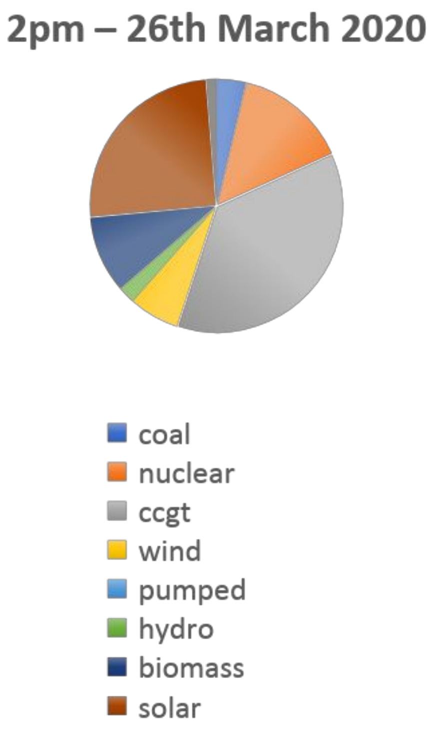

| Year | Coal | Nuclear | CCGT (Gas) | Wind | Pumped | Hydro | Biomass | Solar | Interconnectors | **Total Demand MW** |
|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | 5241 | 6976 | 24319 | 3141 | 129 | 449 | 2625 | 1900 | 4754 | **45016** |
| 2020 | 1358 | 6285 | 8450 | 11758 | 287 | 717 | 2064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

UTILITY TEAM
Energising your business

Source: G.B. National Grid Status

# UK Generation Mix




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

Source: G.B. National Grid Status

# 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

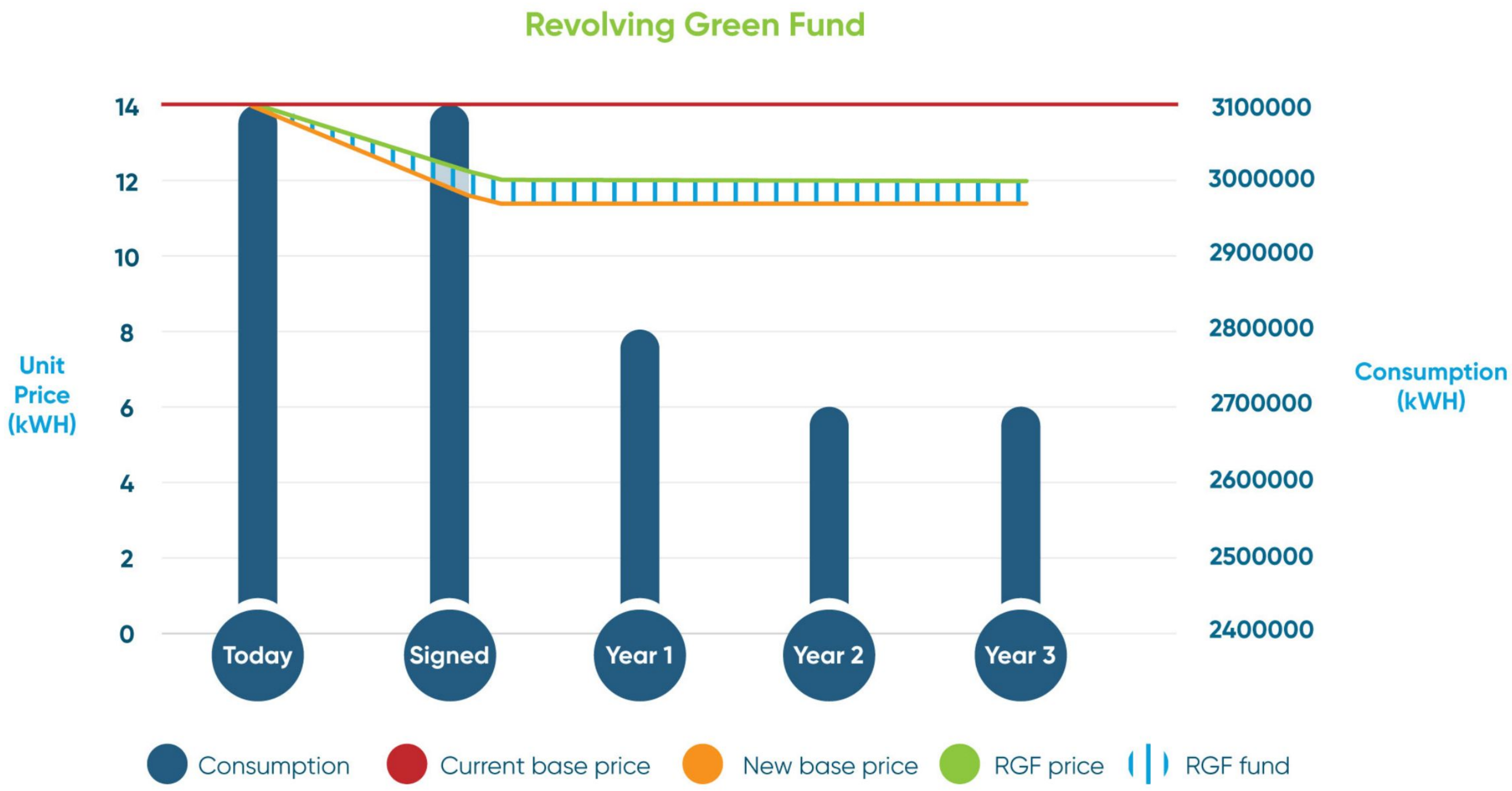
- Reduction in Service Level Agreements and query resolution
- Tightening of credit policy
- Restrictions on payment terms
- Increased risk premiums
- Reduced trading horizons
- Auto decline of new business from certain sectors –
  - Accommodation and food services
  - Arts, entertainment and recreation
- 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!

UTILITY TEAM
Energising your business

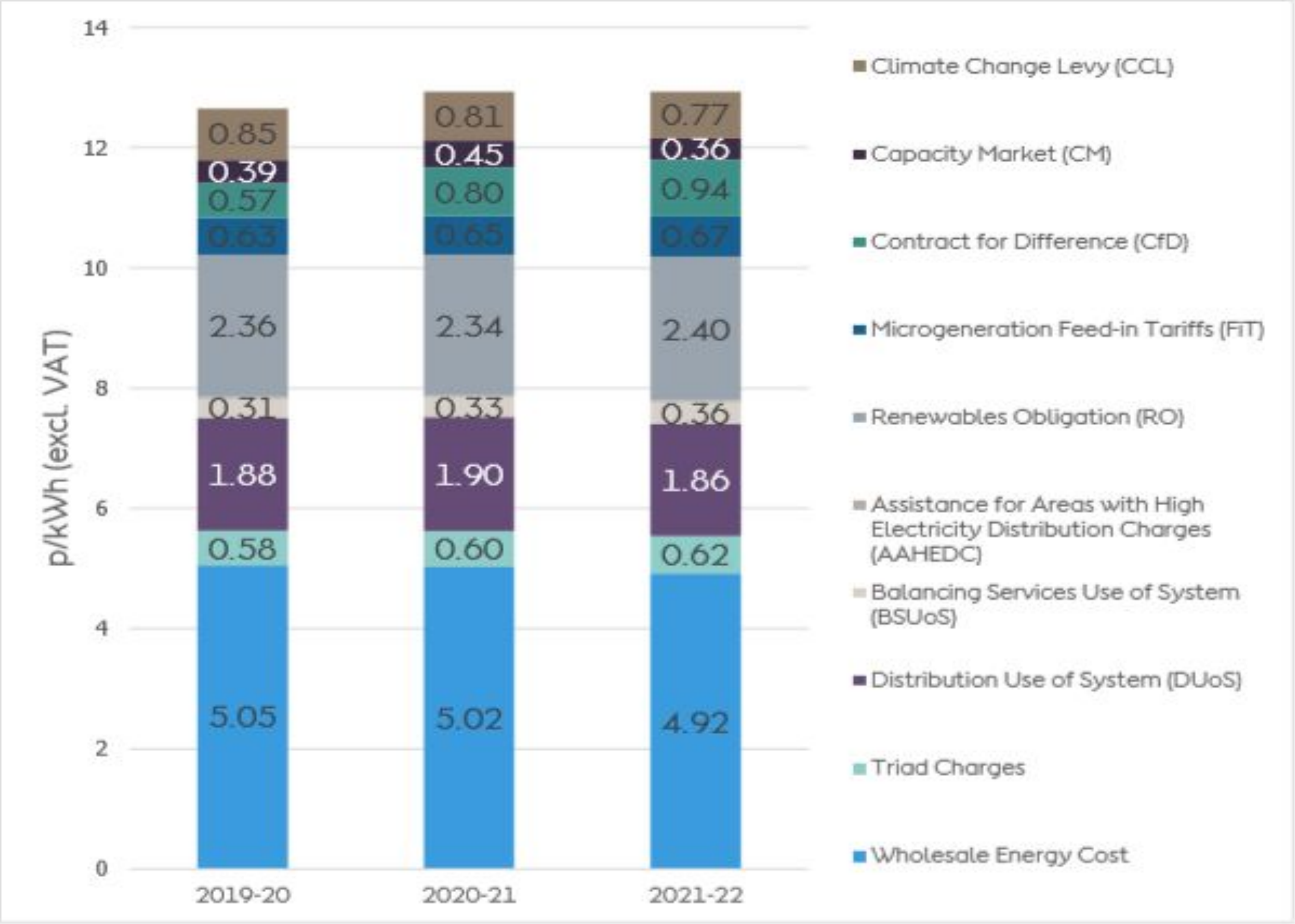
# Price Stack

- 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

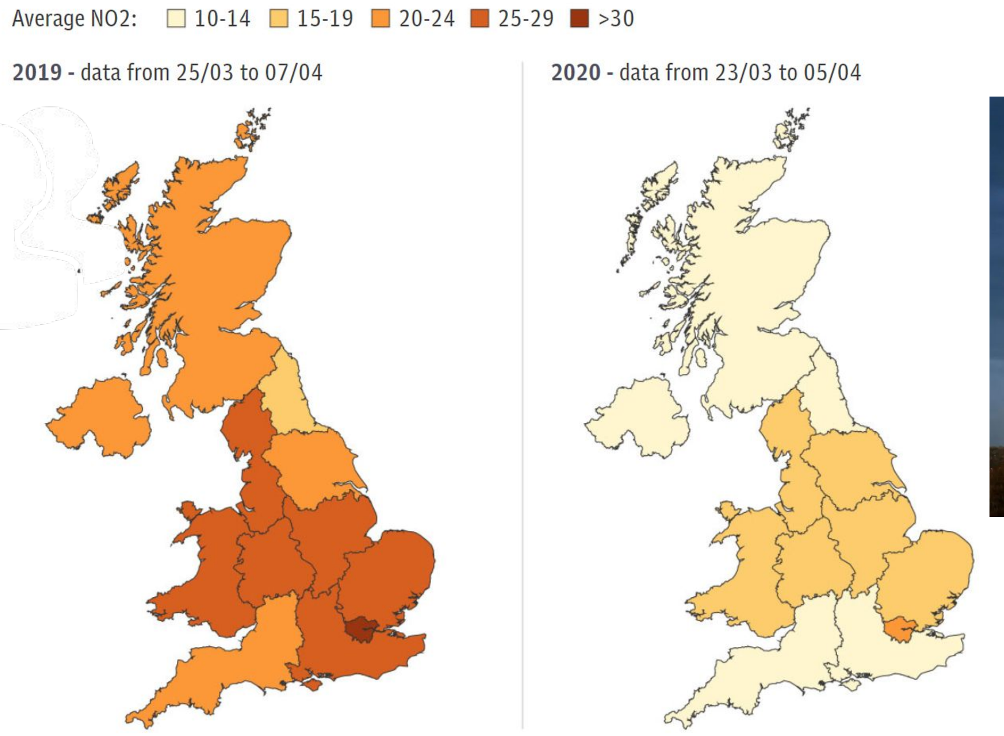
Forecast delivered electricity costs 2019-20 to 2021-22




Source: Orsted

# Closing Summary

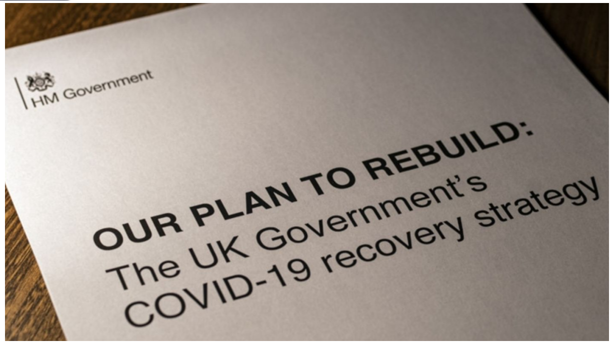
£3bn Retrofit Rishi




Air quality improves

SOURCE: DEFRA

No Coal




Changing attitudes in the boardroom

UTILITY TEAM
Energising your business

# Contact Us

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

Email: chris.toze@utilityteam.co.uk
Tel: 07976878610

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