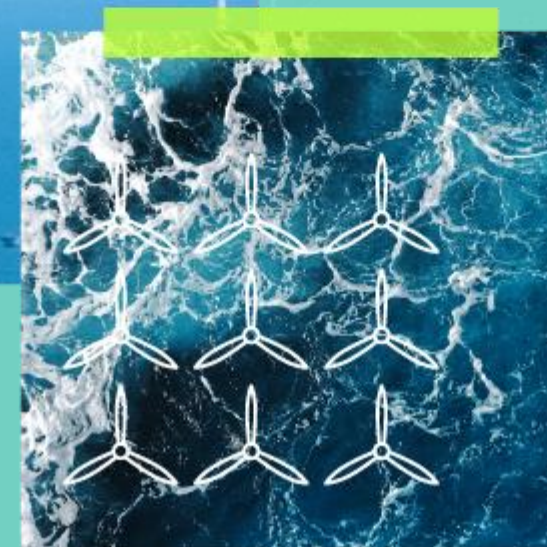
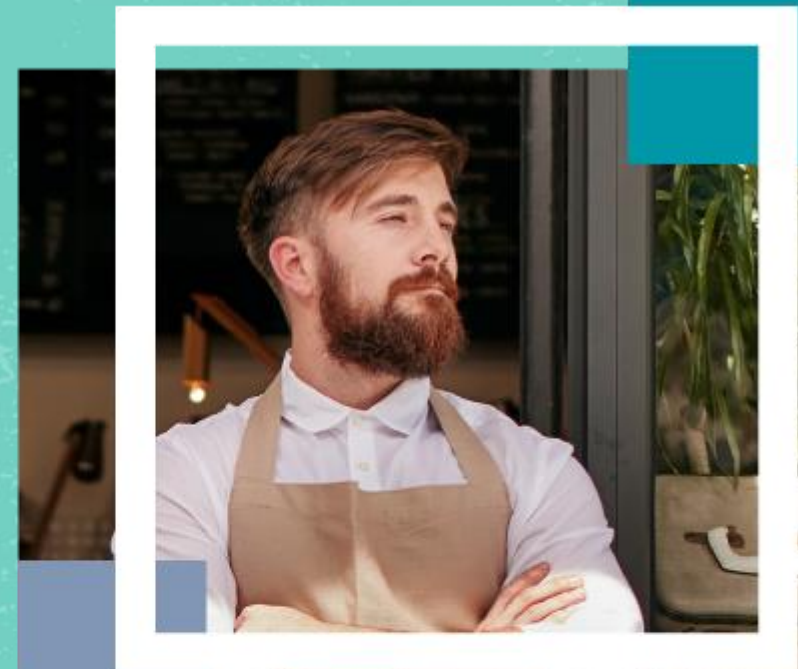


Monthly Market Review Report

October 2023



Monthly Report

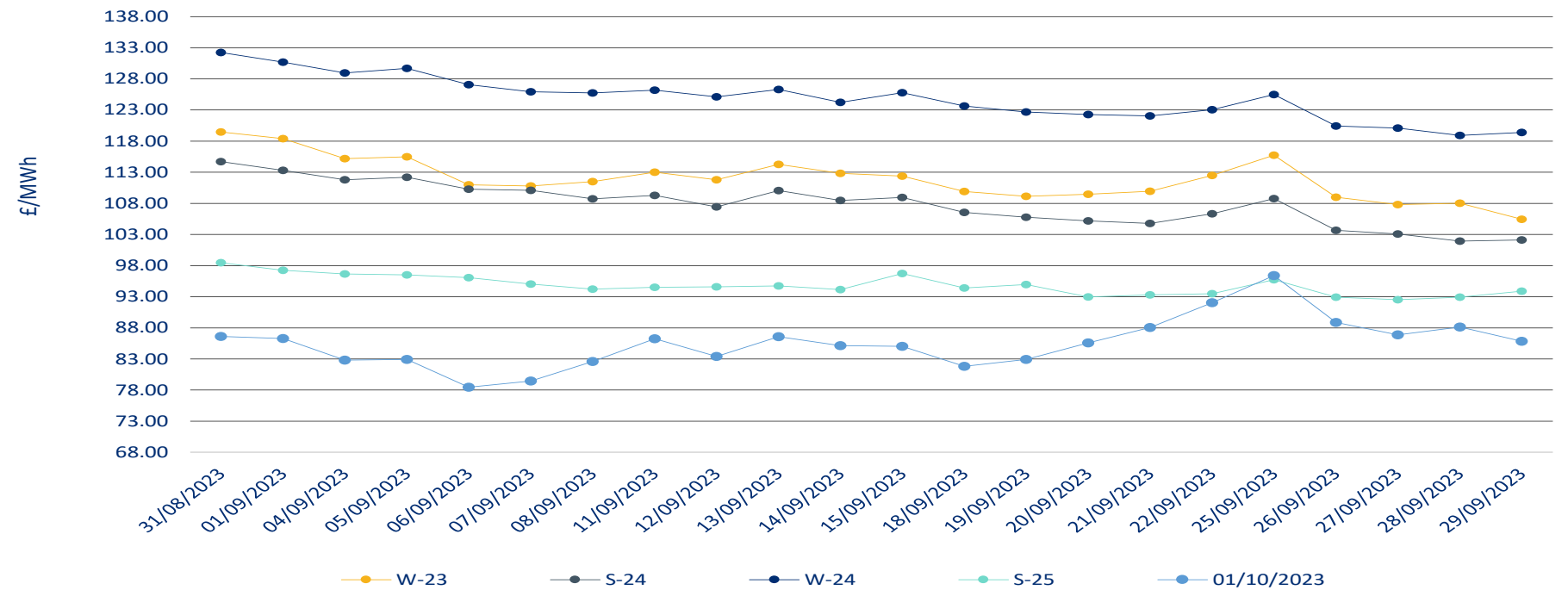
Market Update – Power and Gas

Review: Above average temperatures and low wind led to the September clean spark spread* lifting to over £4/MWh early in the month. Temperatures returned to near normal and wind output increased as the month progressed, suppressing the clean spark to below -£4/MWh. Clean spark spreads on the curve have also been heading lower as European Hydro stocks have built to above the five year average.

As winter approaches National Grid have published their Winter Outlook 23/24. Under their base case scenario, the key message is that they expect an adequate margin between supply and demand of around 7%, slightly higher than last winter. They also anticipate close co-operation with European partners, with interconnectors a key tool to aid system operators and traders, ensuring that when UK has a sufficient surplus exports can flow to Europe. See Market Theme for the growing pipeline of interconnection with European power sources.

Outlook: Above average wind and rainfall forecast set to boost renewables output in early-mid October

Baseload Power



Power Bld (£/MWh)	Aug-23	Sep-23	Change	% Change	High	Low	Average
Oct-23	86.62	85.83	↓ -0.80	↓ -1%	96.41	78.47	85.55
Winter 23	119.46	105.45	↓ -14.01	↓ -13%	119.46	105.45	111.96
Summer 24	114.71	102.13	↓ -12.58	↓ -12%	114.71	101.93	107.89
Winter 24	132.25	119.39	↓ -12.86	↓ -11%	132.25	118.93	124.82
Summer 25	98.46	93.90	↓ -4.56	↓ -5%	98.46	92.51	94.82

* Clean Spark Spread: the margin for gas fired power plants accounting for the difference between the power price, the cost of generation and the necessary emissions allowances required to produce it.

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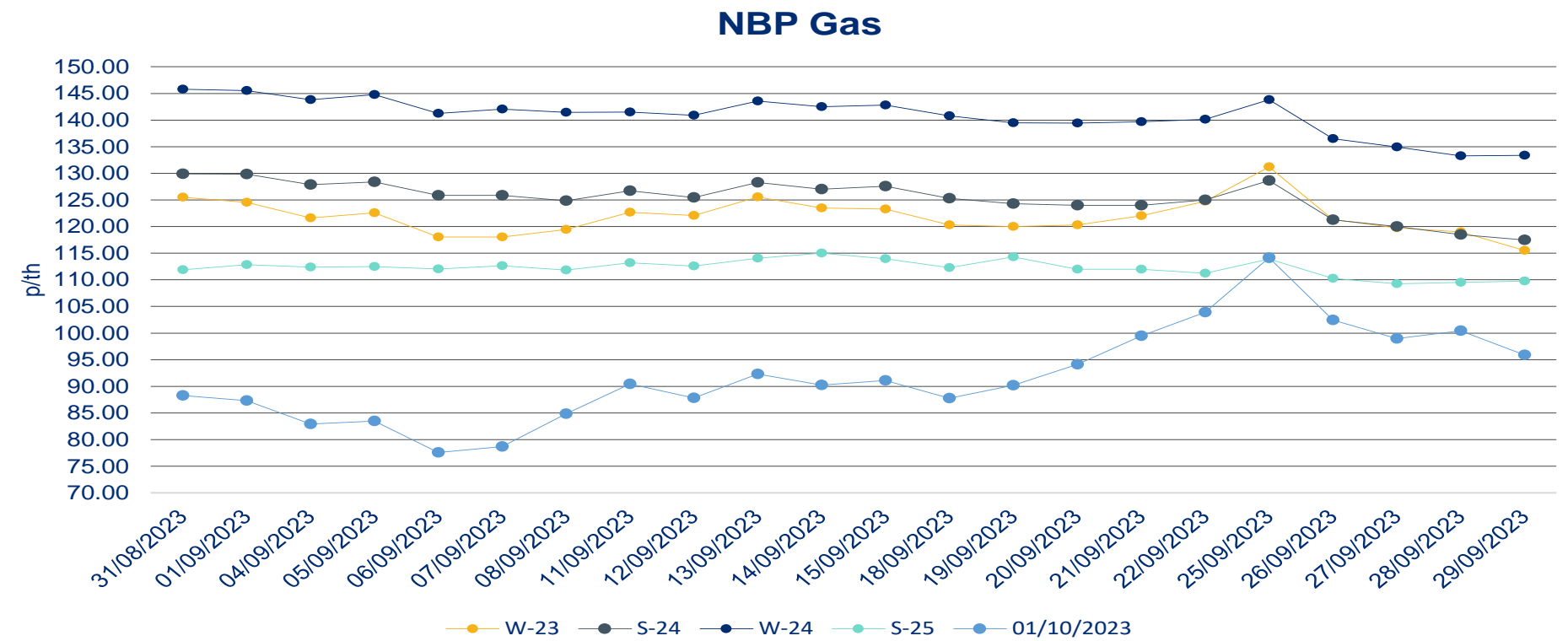
Market Update – Power and Gas

Review: The protracted Australian LNG strike threat and Norwegian pipeline outages persisted into September, fuelling bullishness in the prompt and near curve.

Strikes at 2 major LNG facilities operated by Chevron, accounting for over 5% of global production, were eventually called, with a series of 24 hour strikes commencing on the 15th September planned to continue into October. Whilst they posed little threat to global supplies, given they were planned to be temporary in nature, nonetheless, the news saw a 7p/th increase in the October contract. Following talks, Chevron and the unions agreed to end the strikes on 21st after settlement terms proposed by the Fair Work Commission of Australia were accepted by both sides.

Major Norwegian pipeline maintenance continued through the month with up to 150 mcm/day offline at one point.

Outlook: Return of Norwegian flows to normal levels likely in early October.



Gas NBP (p/th)	Aug-23	Sep-23	Change	% Change	High	Low	Average
Oct-23	88.30	95.89	↑ 7.59	↑ 8%	114.15	77.59	91.93
Winter 23	125.50	115.50	↓ -10.00	↓ -9%	131.20	115.50	121.87
Summer 24	129.90	117.50	↓ -12.40	↓ -11%	129.90	117.50	125.28
Winter 24	145.80	133.35	↓ -12.45	↓ -9%	145.80	133.25	140.79
Summer 25	111.90	109.75	↓ -2.15	↓ -2%	115.00	109.25	112.25

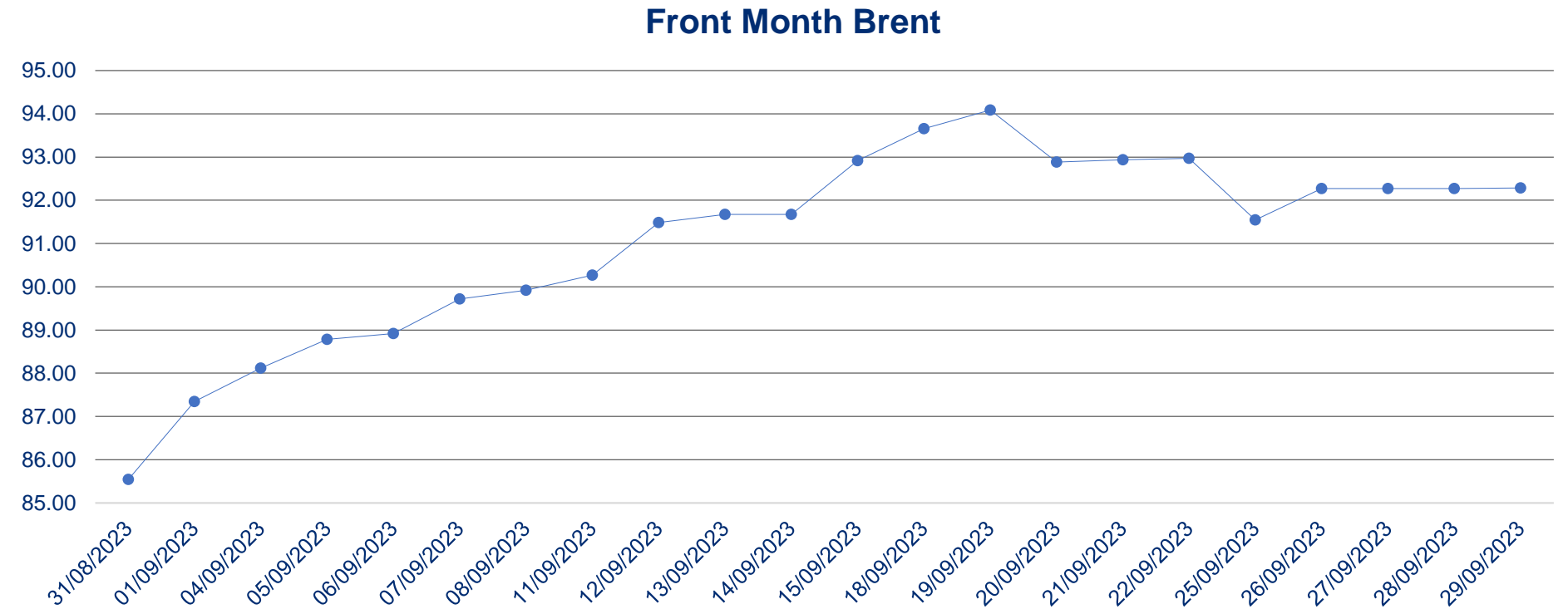
* Clean Spark Spread: the margin for gas fired power plants accounting for the difference between the power price, the cost of generation and the necessary emissions allowances required to produce it.

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Market Update – Oil and Carbon

Review: Production cuts by Opec+ have continued to contribute to an ongoing shortfall in supply across global markets. Despite a worsening economic outlook for China, worldwide crude demand is forecast to exceed global supply by over 230 million barrels per day in Quarter 4. Rising crude prices have also helped fuel US inflation, with suggestions that the US administration may release strategic oil reserves as a means of alleviating the inflationary pressure.

Outlook: OPEC+ set to meet w/c 1st October, but any easing of the current production cuts looks unlikely.



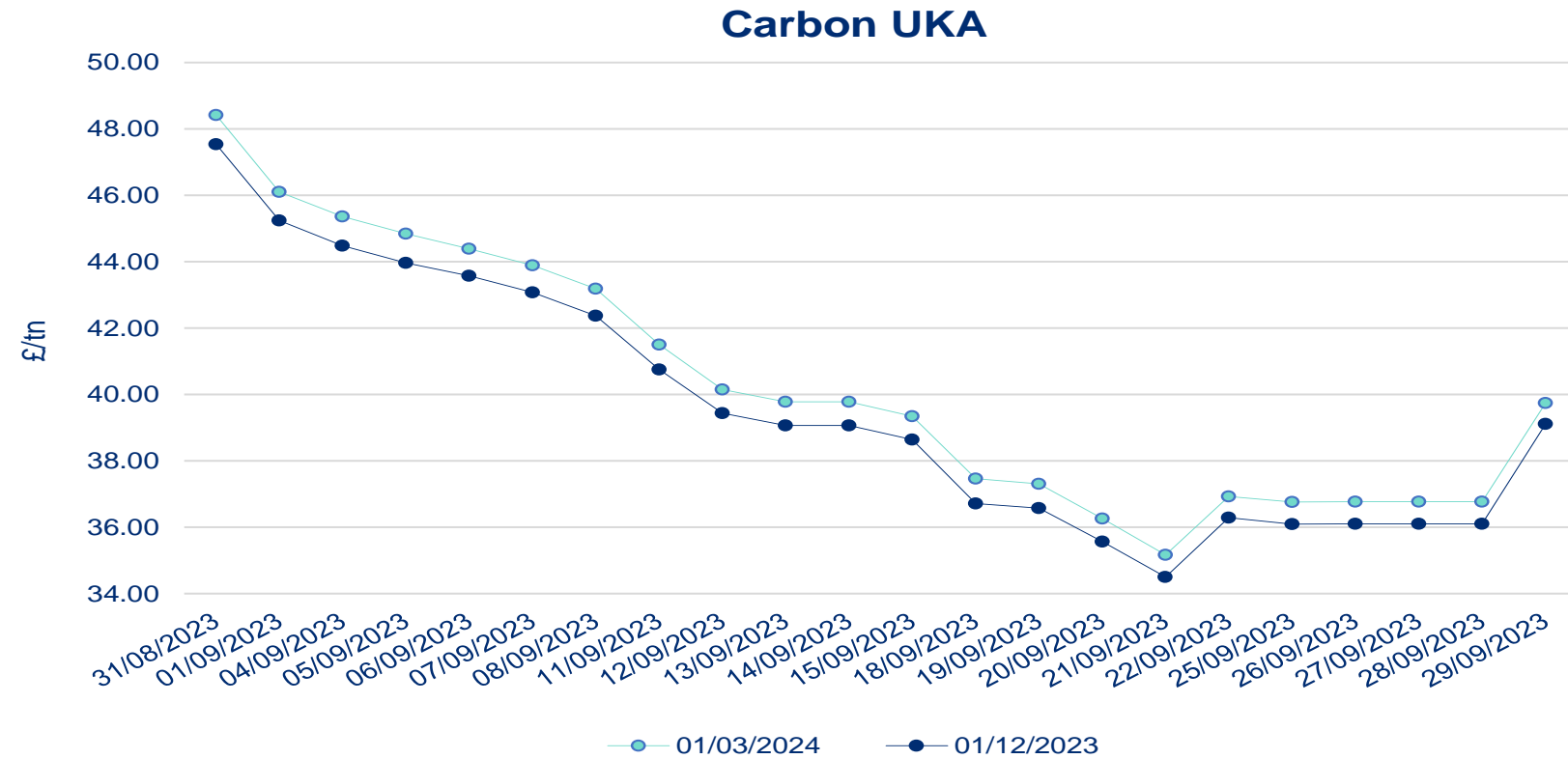
Brent (\$/Barrel)	Aug-23	Sep-23	Change	% Change	High	Low	Average
Front Month	85.545	92.285	↑ 6.74	↑ 7%	94.085	85.545	91.07

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Market Update – Oil and Carbon

Review: A bearish month for the UKA market as high renewable output across North-West Europe saw the UK as a net importer curtailing the need for any large-scale UK thermal backed generation. Over the course of the month both December 23 and March 24 contracts dropped in value by over 20%. Year to date UKAs have shed 75% of their value. There has also been a marked widening in the spread between UKAs and European EUAs. EUAs have traded at a premium to UKAs 2023 to date. By late September, the premium exceeded €40/tn for the first time, highlighting the under supply of allowances in Europe compared to an abundance in the UK.

Outlook: Continuation of high renewables output across North-West Europe to curtail demand for UKAs in the near term.



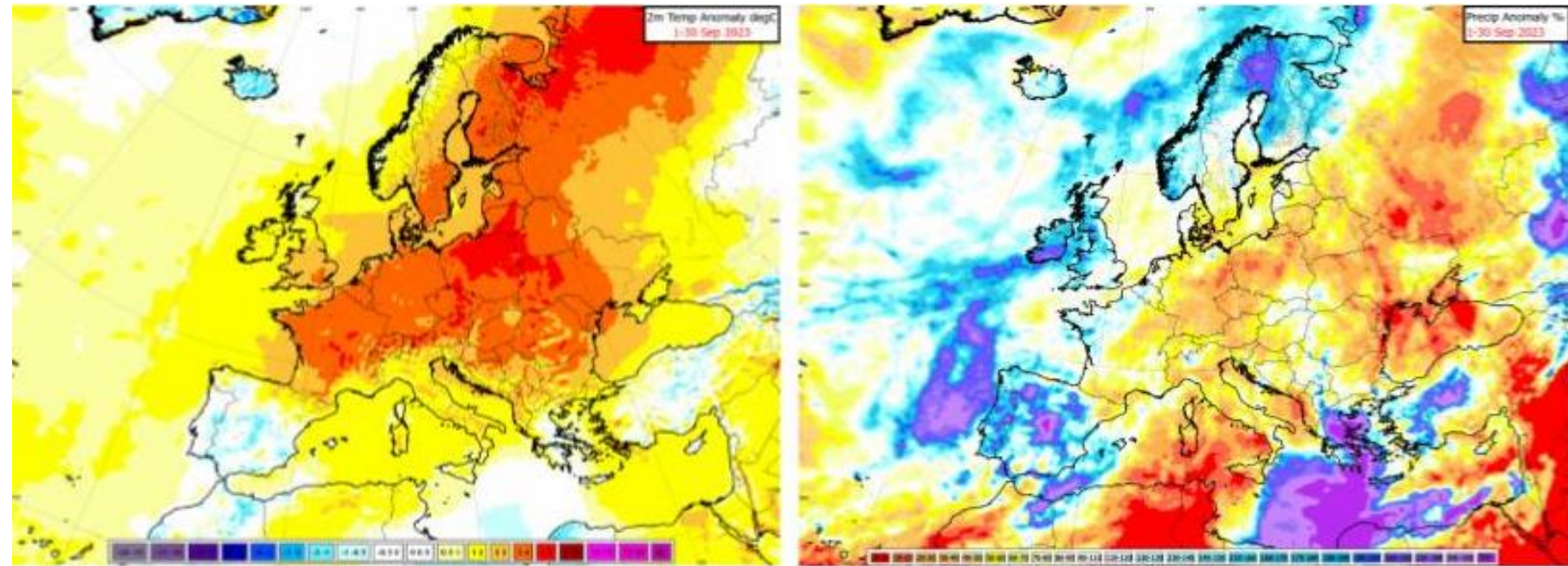
Carbon (£/ton)	Aug-23	Sep-23	Change	% Change	High	Low	Average
Dec-23	47.54	39.11	↓ -8.43	↓ -22%	47.54	34.50	39.56
Mar-24	48.42	39.74	↓ -8.68	↓ -22%	48.42	35.17	40.31

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Weather Review

Review: September was a record-breaking month across Europe with France, Belgium, Germany, Poland, Austria, and Switzerland all seeing their warmest September on record, with France shattering the previous record by a full 1C. Although the Met Office has yet to officially announce this, the UK also is extremely likely to have broken its record too. This was mostly due to a prolonged heatwave from September 4th-12th, although for the rest of the month temperatures largely remained above average too. Rainfall maps show that despite the early dry heatwave, September wasn't a dry month overall with some very wet weather during the second half. Solar power production was above average for the UK, but wind production was a bit below normal (due to the heatwave).

Outlook: For October, low pressure looks set to be in charge for most of the month, with no strong signals for any dry or overly hot weather coming up. This means we should see an unsettled 3-4 weeks with above average rainfall and winds, and below average solar from extra cloudiness. Low pressure is likely to wobble around in northern Europe, but mostly stay to our north-west and keeping a warm south-westerly wind into the continent. Temperatures for Europe are very likely to run above average, meaning it could be the warmest October on record. Occasional colder spells also look likely, but only lasting for a few days at a time when they do come.



Temperature (left) and Precipitation (right) anomalies for August.

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Market Theme – Connecting with Europe

The connection of the Danish and UK power grids with the completion of the Viking Link high voltage power cable marks another step in the integration of the UK and European power grid. The 1400MW interconnector is due to start operational testing in Q124. Ofgem estimates, that when complete, the benefit to the UK consumers will be in the region of £5bn through potentially cheaper power from the Nordic region. It's anticipated the link will provide the opportunity to import electricity from the pipeline of new Danish renewable projects, with 13GW of new offshore wind capacity earmarked to be completed by the end of the decade.

In addition to the Viking Link there are several additional interconnectors under development: GridLink (Capacity 1400MW) due for completion in 2027, NeuConnect (1400MW) and FAB Link (1400MW), both due for completion in 2028.

