

GUIDE TO ENERGY MARKETS

TENANT INFO PACK



MONARCH PARTNERSHIP
Utilities simplified

Commercial vs Domestic Market

Households in the UK are billed by energy suppliers operating in the domestic market and they produce invoices in the individual bill payer's name. Housing associations and other companies are normally required to procure energy using the commercial market and then bills are produced in the organisation's name. Commercial charging mechanisms are quite different to domestic ones and, as such, prices procured using the domestic market are not comparable to those obtained via the commercial market. This means it is not possible to compare prices on a domestic price comparison website to those obtained by a housing association using the commercial market.

The commercial market includes a lot of additional charges that are not reflected in the domestic market. In fact, direct energy costs make up only 40% of a commercial bill. Constant changes in the gas and electricity market also immediately feed through to prices available on the commercial market, whereas it takes much longer for increases and decreases in the wholesale market to filter through to domestic market prices. However, when market prices rise, suppliers are often quite quick to increase the charges even for their domestic customers, but not so quick to lower the prices accordingly when the market prices return to lower levels. Thus, domestic customers are often paying more than the current market prices.

Our intelligent procurement process

We carry out a robust procurement exercise on behalf of our clients and provide access to fully UK and EU (OJEU) compliant frameworks as required by the Public Contracts Regulations 2015. Our team of energy analysts is devoted to monitoring the energy market throughout each day to supply our clients with the right and timely advice, and thus, to provide the most competitive prices for their contracts.

Our team uses many reliable sources, including Thompson Reuters, Bloomberg, and The Energyst, to track, evaluate and forecast energy prices. They closely watch movements to key commodities including oil, carbon, UK and EU gas and electricity, as well as currency. Our customers can see the market monitoring reports on our Market Insight page in the Customer Zone web portal, as shown in Figure 1 below. Our analytical tools enable us to identify the best time to buy with the use of methods such as Holt-Winters, Bollinger Band analysis, and Moving Average Convergence/Divergence.

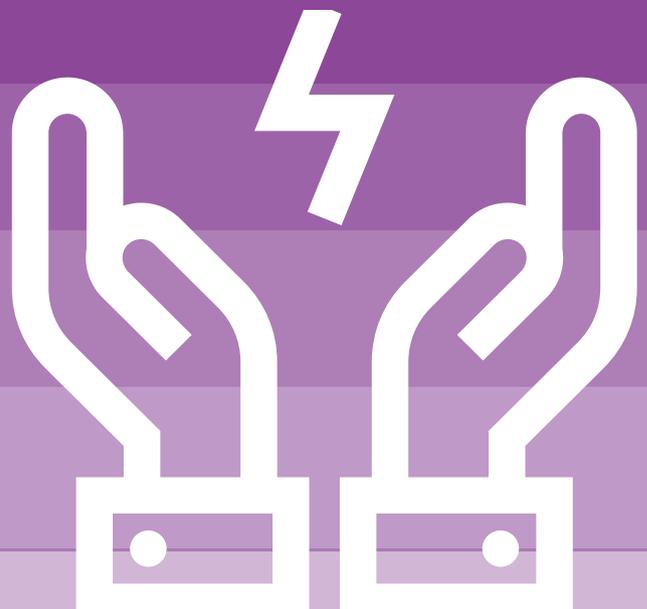
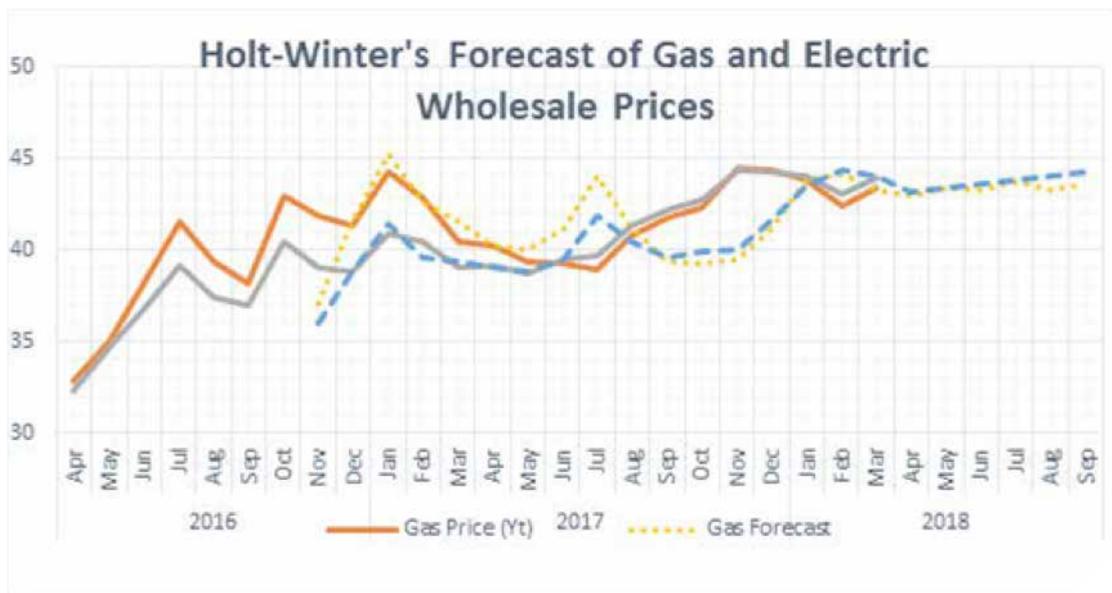
Figure 1: Market Insights page on Customer Zone



As part of our intelligent procurement service, alongside delivering the best energy prices, we also use our robust forecasting model to judge the most suitable time to sign or renew an energy contract. With various commodities affecting the wholesale prices of electric and gas, the contract price for the same site can significantly vary between months. With the insight offered by the Holt-Winters model, we can anticipate any critical peaks and drops in energy prices, and advise our clients of upcoming buying periods, as well as possible risk periods to avoid. This can prevent unnecessary costs, and even result in substantial savings. Please see an example of our forecast model below in Figure 2, which includes a six-month forecast.



Figure 2: Holt-Winters forecast model



Why have energy prices increased?

Supply concerns

The biggest factor when it comes to increases in energy prices are UK's supply capabilities. There are several reasons for decrease in supply. Firstly, the loss of 70% of the country's storage capacity, for example, Centrica's 'Rough' gas storage facility is being run down. The our ageing nuclear and coal power stations have an effect on the supply abilities.

Secondly, we are not replacing the old energy generations sources at the same rate that they're being eradicated, meaning that there's an overall reduction in the places we can actually get our energy from. The LCPD (Large Combustion Plant Directive) is an EU directive put in place to reduce carbon emissions. It involves removing old polluting methods of energy generation (such as coal) and introducing new ones with low- or zero-carbon emissions.

Thirdly, the Pound Sterling's post-Brexit decline against the Euro has increased the cost of securing supplies from Europe, decreasing the UK's purchasing power further.

Fourthly, The UK's move toward a more 'Just-in-Time' model for balancing its demand/supply dynamics via multiple sources (Liquefied Natural Gas (LNG) tankers, pipeline gas and coal cargoes) faces greater global and EU competitive pressure. It will continue to play a leading role in determining the UK's energy security through the higher consumption periods of Winter from October to March.

Fifthly, hydro-power generator outages throughout the Winter of 2017-18 also contributed to the UK's wholesale energy rally during one of the highest energy-consumption winter periods since 2016. The temperature changes rolling market seasonality affects the wholesale prices constantly. We had the coldest months of January to April (2018) within five-years of wholesale trading.

Liquefied Natural Gas

Another problem which contributes to our rising energy costs is the supply of LNG (Liquefied Natural Gas). Currently, LNG supplies go to the highest bidder and, at the moment, the highest bidders are all in the Middle East. This makes it more difficult for the UK to obtain LNG and therefore drives prices up. Moreover, the UK's inability to stock imported gas continues to raise the cost of future purchases.

This creates problems for the UK as gas prices are dictated by the oil prices – and if we're struggling to obtain gas supplies, the cost will only be driven up. There is also a strong Asian demand for LNG, which will push European gas and electricity prices up throughout the 2018 summer period. However, the US is set to overtake Australia as the largest global distributor of LNG by 2020, which will ease supply concerns and potentially lower prices as a result.

Storage

Finally, it is crucial to consider the importance of energy storage and the impact it has on prices. Typically, the UK buys energy in the summer months when it is cheaper, reserving it at the lower price until it's needed in the winter months when demand increases. Storing energy, however, is quite expensive and the surplus energy we create in the UK alone costs the taxpayer £1 billion a year to store until it's needed.

2017 saw the closure of Centrica's Rough gas storage facility in Yorkshire, a plant which held 70% of the UK's gas supply. This drives the market prices up further and means that our country relies much more heavily on imports. We can now only hold about 2 weeks' worth of supply, while other countries such as Germany can store up to 6 weeks' worth. This puts the UK in a vulnerable position with barely enough power in case of emergencies.



Save money on your heating bills with our top heat-saving tips



1

Set your heating and hot-water timer. If you're out at work for most of the day, set the timer to come on for a few hours in the morning and evening, while you're at home.

Set the boiler thermostat to 60°C (140°F). This is warm enough to provide hot water and heating for your home, and means that you don't need to waste money by heating more than this.

2



3

Move furniture away from radiators. Valuable heat is absorbed by furniture in front of radiators, making rooms feeling colder.

Close the doors inside your home to keep the heat in the rooms you are using.

4



5

Use your curtains. Draw your curtains when it starts to go dark and hang a curtain across your front and back doors to keep the draughts out. Lined or thick curtains are best.

Use thermostatic radiator valves to control the temperature in a room.

6



7

Turn the central heating thermostat down to control room temperatures.

Turn the radiator temperature down or completely off in rooms you rarely use to reduce the total amount of energy you use.

8



9

Tint your windows to help keep heat in or out when needed. Window films are designed to allow in visible light, while blocking infrared light. This helps keep the heat from the sun out in summer and helps trap in warm air during winter.

If you have a prepayment meter, it is a good idea to top it up with a little extra money in the summer to build up credit for the colder winter months.

10



Choose low-energy appliances

When it's time to replace your kitchen appliances (washer, dryer, water heater or boiler), research the various models and features so you'll know which ones are the most energy efficient. When shopping, look for models that are labelled as Energy Star Certified to make sure you're getting an energy-saving (and money-saving) appliance. This will go a long way towards saving energy and reducing your electricity bills. Always consider the efficiency rating (the AG colour scale), when you buy new electrical items. The ratings are designed to help you identify appliances that will cost you the least.

Check your boiler efficiency

Modern central-heating boilers provide hot water more efficiently than older ones. They save energy and money by using less coal, oil or gas to power them. Homeowners and private tenants in the UK can apply for a grant to replace their old, inefficient gas boiler with a new boiler (rated A for energy efficiency), under the Energy Company Obligation (ECO) scheme.

Insulation

Draught proof around your front door and loft hatch. This not only prevents cold air from entering your home in the winter months, but also stops heated air escaping. You'll need less power to heat your home which will reduce your carbon footprint, and you'll save money at the same time.



LED lighting

Lighting accounts for 7% of a typical household's energy bill. Cutting down on your use of electric lighting is one of the easiest ways to save money on your energy bills. Save by switching to LED light bulbs or fitted spotlights. You can make savings of £55 a year or even more by doing this. LEDs use 90% less energy than traditional incandescent bulbs, they last a long time and they give out light instantly. Fluorescent light bulbs last 8 to 12 times longer than incandescent bulbs.

Use less energy with your appliances

Turn appliances off when you're not using them. Appliances left on standby still use energy. Or, use a standby saver mode, if your appliance has this. Avoid charging electrical goods such as your mobile phone unnecessarily.

When making hot drinks, only boil the amount of water you need, rather than filling the whole kettle. If you are only having one or two cups, use the stove to heat the water.

Only heat the water you need

Have you considered switching to a high-efficiency on-demand water heater? They only fire up when you use the hot tap. The water heats up quickly and then the heater stops burning fuel when demand for hot water stops. An added bonus is that they are really easy to maintain.



MONARCH PARTNERSHIP

Utilities simplified

How can you reduce your usage?

Make energy smart choices

Always fill up your washing machine, tumble dryer and dishwasher. One full load uses less energy than two half loads. Are you washing clothes at 60°C? Turn the dial down to 30°C - this reduces energy use by up to 40%. Dry clothes outside whenever possible - tumble dryers cost around 45p an hour to run, as well as contributing to your carbon footprint.

Shop around and compare prices

Shop around for the best energy deal and switch your energy supplier if necessary. Compare energy tariffs and suppliers. Consider switching companies to get the best possible deal. If you choose a fixed tariff, it can also help protect against future price rises. Use Ofgem's Go Energy Shopping guide and website to compare energy deals. They provide a simpler and clearer way to compare and switch, with four main tariffs for both electricity and gas.





MONARCH PARTNERSHIP

Utilities simplified

Contact

**The Monarch Partnership
Monarch House
7-9 Stafford Road
Wallington
Surrey
SM6 9AN**

T: 020 8835 3535

savings@monarchpartnership.co.uk

**The Monarch Partnership Ltd
Registered in England
(Reg No 4346309)
VAT Reg No: 793 6132 10**

www.monarchpartnership.co.uk

