S&P Global Platts: UK Power Down 21% in December

Natural Gas Prices Resilient as BBL Contracts Expire

LONDON, Jan. 9, 2017 /PRNewswire/ -- UK day-ahead wholesale electricity prices fell 21% on average last month but remain 41% up year-on-year, S&P Global Platts data show.

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UK natural gas prices proved more resilient, down just 3% month-on-month to end-December and still 36% higher year-on-year.

Mild temperatures, strong wind generation and smooth-running conventional power plants depressed power prices in December, even if the risk premium from earlier French nuclear outages meant levels remained high in a year-on-year comparison.

Healthy supply margins were also reflected in the lack of any capacity shortfall warnings from National Grid, after it issued three such notices in October and early November.

"The UK saw half hourly wind power production hit a new high early December, which weighed on spot power prices, while the country continued to remain a net exporter of power to France," said *Anuradha Ramanathan, European power editor, S&P Global Platts.*

Into the New Year, however, and a colder, calmer weather outlook saw UK day-ahead baseload prices heading up over £53/MWh January 4.

Platts UK Day-Ahead Power and Gas Assessments

	Dec-16	Nov-16	MoM change	Nov-15	YoY change
UK power (BPS/MWh)					
Day-ahead average	48.46	61.42	-21%	37.62	41%
UK gas (pence/therm)					
Day-ahead average	46.325	47.727	-3%	35.56	36%

Source: S&P Global Platts

Resilience in the gas price, meanwhile, was in part due to expiry of long-term contracts on the BBL gas pipeline between the UK and the Netherlands.

This pushed up booking costs and caused daily flows on the line to drop from 42 million cu m/d November 30 to 19 million cu m/d December 1. Volumes on the line are yet to recover.

"The cost of booking new capacity has lifted the BBL up the supply stack, well beyond the IUK pipeline to Belgium, medium-range storage, Rough storage and, potentially, even some LNG supplies," said *Vesa Ahoniemi, Senior Pricing Specialist, European Gas Markets, S&P Global Platts.*

The rising cost of supply flexibility had little impact on the first half of December due to mild weather, but a gas price rally at the end of the year indicated renewed upward potential in the market.

"The flexibility issue is likely to return in Q1 2017, as storage stocks both in the UK and Northwest Europe have fallen at a high rate in Q4 2016 and Europe's LNG outlook remains uncertain," Ahoniemi said.

For more information on electric power or the methodology used by Platts in its power assessments, visit the S&P Global Platts website www.platts.com.

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