



ENERGY PRICE OUTLOOK-WINTER 2024/25

Natural Gas Prices Reach Yearly High

Natural gas prices hit a yearly high on Friday, October 25th, 2024, matching levels seen in early December 2023 and August 2021. Those price spikes were driven by factors like the post-pandemic recovery, supply constraints, low storage levels, and the onset of tensions between Russia and Europe over energy supplies. The current price is also on par with the 25-year peak in December 2005 (prior to the invasion of the Ukraine), when devastating hurricanes in the U.S. caused supply disruptions and heightened demand.

While European liquefied natural gas (LNG) storage remains high, the UK's capacity to store is much lower, with storage levels recently shifting from injection to withdrawal. A harsh winter in Europe could sharply deplete these reserves, leading to higher prices if LNG supply becomes difficult to secure.

The UK depends heavily on Norwegian gas imports, and any unexpected supply disruptions from Norway could further intensify the demand for LNG. Additionally, the UK's reliance on natural gas for electricity generation poses risks. In a cold winter with low wind and solar output, the increased use of fossil fuels would drive up electricity prices due to taxes and levies tied to fossil fuel generation.

For businesses with energy contracts expiring before July 2025, it is important to seek expert advice on renewals. Many providers that were sold contracts during periods of high prices in recent years are approaching us for advice. As energy markets remain unpredictable, getting informed advice from non-sales-oriented brokers can help providers make better decisions.

UK Natural Gas Prices



CONSIDERING SOLAR?- THINGS TO CONSIDER

An increasing number of providers are approaching us, requesting us to comment on solar proposals they have obtained.

Almost all proposals have numerous pictures, graphs and tables of figures, that run to a number of pages. They all quote an alleged savings figure that can be achieved over a 20–25-year period. On close examination and a re-calculation of the figures often reveals inaccurate claims and calculations.



Often the Solar proposal will use an electricity cost of 16p a kWh and state savings are based on electricity prices increasing by 10% a year. What they fail to advise is that 16p increasing at 10% a year results in an electricity cost of £1.58 a kWh at year 25. Does anyone know or believe that can be accurate?

In our opinion the figures that count are:-

- 1) An as accurate as possible estimate of the reduced reduction of electricity purchased from the grid.
- 2) The cost saving of the above based on an accurate electricity cost (either your contracted rate or a rate you can obtain).
- 3) The cost of the finance per month over the period you are financing it (if you aren't paying up front).
- 4) A calculation of the saving from 2 minus 3, will show the effect on cash flows.

Things To Note

Proposals almost always fail to include VAT at 5%. (Proposals are often in the same format as organisations that are charged VAT at 20% and able to recover it).

Energy savings are often not calculated taking the care sector into account. (Usage patterns for the sector differ to factories, offices, shops etc).

Proposals should always include the additional cost of battery storage and an additional calculation of the further reduction in electricity purchased from the grid. You are then able to assess the viability of battery storage. Again, the care sector differs from other sectors as it uses more electricity at night.

Conclusion

A large number of organisations with little experience of solar have entered the market and are making exaggerated claims.

We suggest that great care should be taken with any proposal where the potential installer hasn't obtained your half hour usage data, as any calculations are invalid without it.

As Care England's energy partner we are, as always, available to advise on proposals and check claimed figures, without charge.

ENERGY QUOTES-NEW RULES

From the 1st October 2024 all energy quotes must have the brokers commission detailed within them. It is the first step towards regulating energy brokers (often referred to as TPI's or Third Party Intermediaries), but it is taking far too long.



OFGEM-Consumer Group Input on Billing Complaints

As Care England's energy partner, we are pleased to have been asked to assist OFGEM with their investigations into billing errors. With so many providers approaching us for assistance with contracts, that either they or their broker arranged that are now causing problems, we have plenty of evidence to present. Of course many errors can be prevented if contracts are set up properly. Fully understanding a providers needs prior to contract signing, greatly assists that.

THE UK'S DEPENDANCY ON IMPORTED ELECTRICITY AND GAS AND WHY THAT AFFECTS YOUR RENEWAL DATES

So far in 2024 around 20% of the UK's electricity has been imported. It also relies on gas being piped from Norway and liquefied natural gas (LNG) arriving from around the world by ships.



With the UK only being able to store around 4/5 days of gas (cold days) a sudden increase in the demand for gas leaves the UK vulnerable. If Europe experiences a cold winter, the electricity and gas we import will be harder to obtain and more expensive.

The above is why we suggest moving energy contract renewals away from the traditional month of October to the summer, as prices are generally more stable outside of October to March.

WHY WE GIVE ENERGY SUPPLIER CUSTOMER SERVICE RATINGS

We won't obtain quotes from a few energy suppliers due to either their terrible customer service or business practices.

All our quotes include a rating out of 10 for the energy suppliers customer service, enabling providers to make an informed choice of where to place their supplies.

QUESTIONS FROM PROVIDERS

From AB Birmingham-We are looking to buy a further care home, which has separate staff accommodation. We have examined the accounts and the current owner advises that the staff accommodation energy contracts have to be separate from the homes.

Without seeing the paperwork, it is likely that the electricity meter is a domestic one (top left box of the MPAN contains either 01 or 02). We are able to add domestic meters to commercial contracts (many energy suppliers won't).

From RS Doncaster. A previous newsletter of yours caused us to check the VAT we have been charged. As it was 20% we requested our broker to recover the overpayment. He has advised that the energy supplier can only correct bills going back 4 years, what are your thoughts?

The statute laws dictate that in England and Wales the period is 6 years and 5 years in Scotland. We suggest you relay this to the broker.



From JH Liverpool. Our energy bills are almost always estimates and usually overstate the usage, as a result we want to cancel the direct debit and pay online, but our broker advises that we can't.

We haven't seen the contract, which may only allow payment by direct debit. Some energy suppliers will charge a little more for changing to a different payment method.

We suggest you ask your broker why they haven't upgraded your meters to smart meters, which would solve the issue.

From SB London-Why do standing charges vary so much between different energy suppliers?

Suppliers have different opinions regarding recovering their costs from standing charges or the unit price per kWh. As long as quotes are based on accurate consumptions it is the annual cost that matters not how it is split between the standing charge or unit rate.

A very warm winter will see a slight advantage with a low standing charge contract and a high standing charge have a slight advantage in a very cold winter.

Often the annual cost with a high standing charge of £5+ a day is lower than one with a 30p a day charge.

If you have a question please send it to info@focusenergyservices.co.uk

Your questions are often the same as other providers, so asking and getting a response can answer many providers .

Our website www.focusenergyservices.co.uk has regular updates and testimonials.