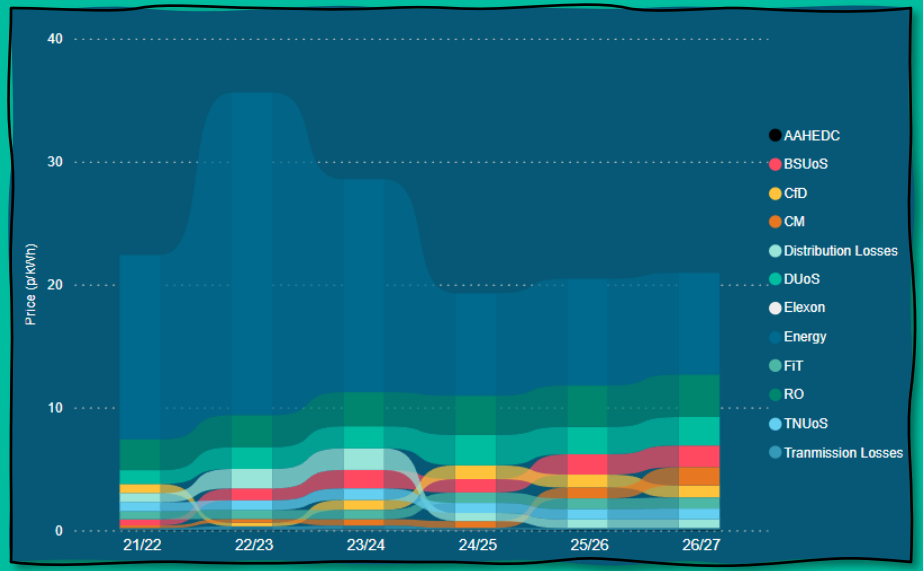
Non-commodity Report

April 2024

Contents

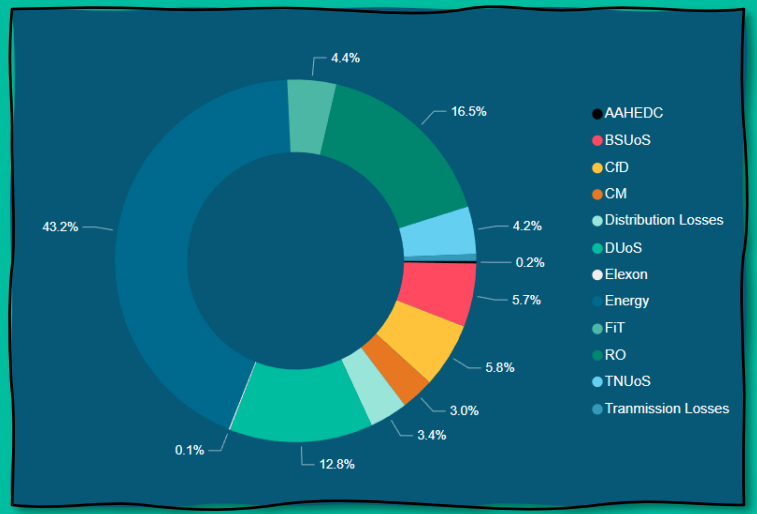
***Please Note**: the prices contained in this report are pence per kilowatt hour averages which are derived using a combination of variable (p/kWh) and fixed (p/day) charges and therefore the p/kWh rates detailed may not correlate with delivered electricity prices in all cases. Customer prices also vary depending various factors including, but not limited to, meter type and location. Prices do not include supplier risk or management fees. The report aims to provide trend data and rationale behind the trends rather than specific delivery price information. All charges are displayed at meter supply point (MSP).*

Electricity Cost Stack



Electricity Price Trend

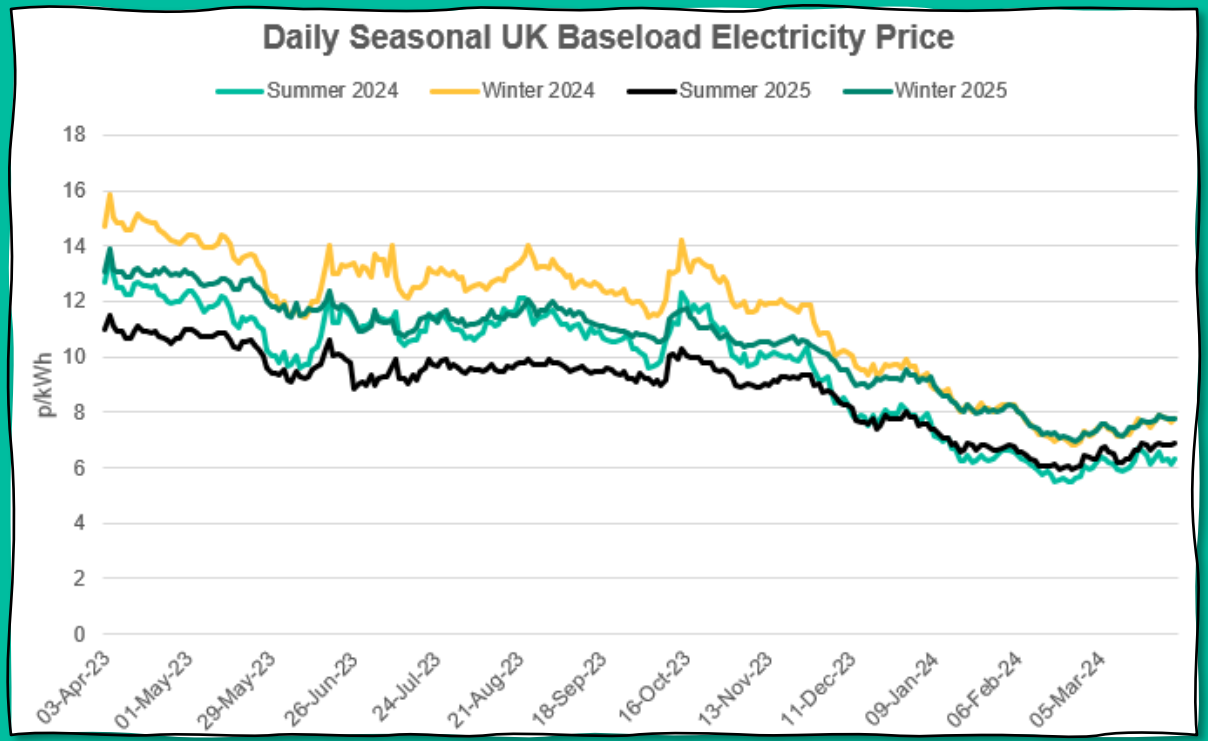
This chart shows the changes in the costs which make up a delivered electricity price from Apr ‘21 to Mar ‘27. When the cost of energy is excluded non-energy prices have been rising since 2021 and this trend is forecast to continue.



April ‘24 - March ’25 Prices

This chart provides a breakdown of the costs which make up a fully delivered energy price and the proportion of the total price they account for. The energy component of an electricity price now accounts for less than 45% as non-energy costs, overall, continue to rise.

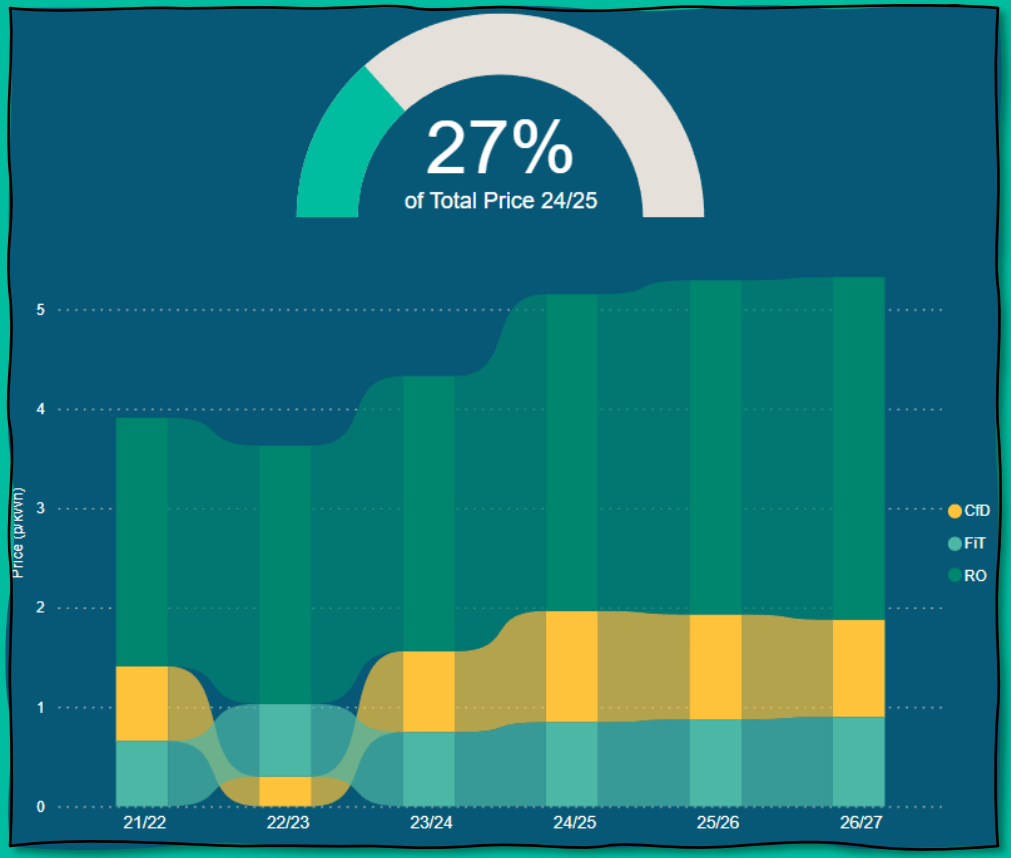
Seasonal Energy Price Trends



- Seasonal electricity prices have declined since April-23 losing around 40% of their value.
- The seasonal curve is relatively flat with nearer term prices trading at a slight premium to further dated seasons.
- Two consecutive mild winters have resulted in strong storage levels across Europe, this, combined with robust flows of LNG have kept bearish pressure on the market despite a turbulent global political back drop.
- Large amounts of power are still produced by burning gas so seasonal power markets remain strongly correlated with gas prices.
- For more information, please see our Energy Market Review's available at www.gingerenergy.co.uk.

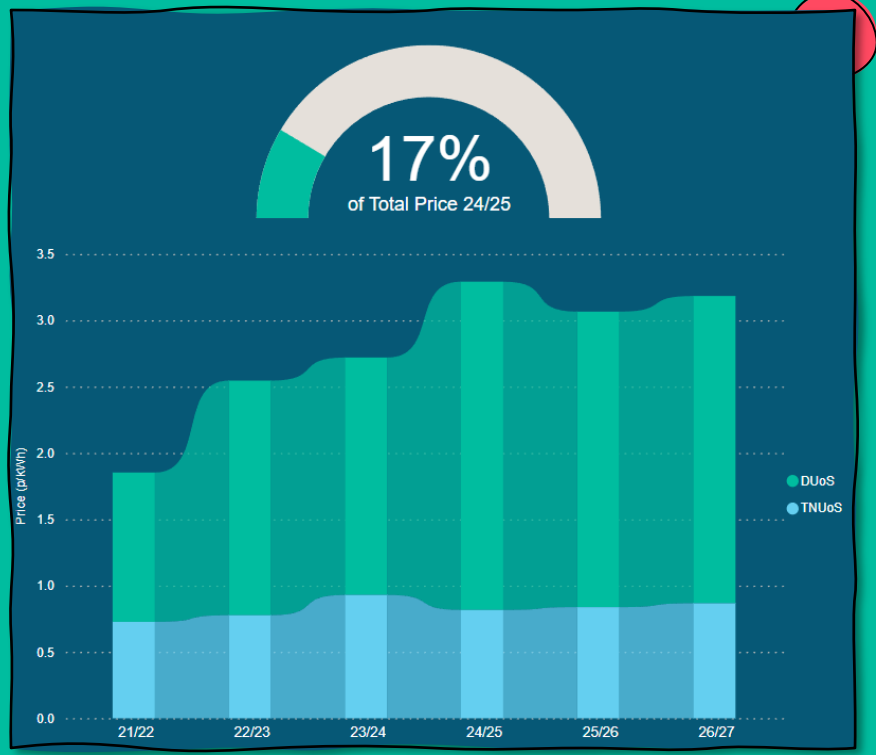
Green / Low carbon Subsidies

- Renewables Obligation (RO) , Feed-in-Tariff (FiT), and Contracts for Difference (CfD) are all government subsidy schemes created to incentivise renewable energy generation projects.
- The charges look to recover costs used to guarantee revenues for generators to ensure projects continue to be undertaken to decarbonise the grid.
- Both RO and FiT schemes are now closed to new generating capacity, but revenue is still required for generators who signed up to the schemes whilst they were open.
- CfD is now the governments flagship scheme for new large-low carbon projects with generating capacity sourced from annual auctions.
- CfD provides generators with a guaranteed strike price for their energy which means the cost to run the scheme varies depending on market prices.
- CfD costs are lower when electricity prices are high and vice versa.



Transmission (TNUoS) and Distribution (DUoS)

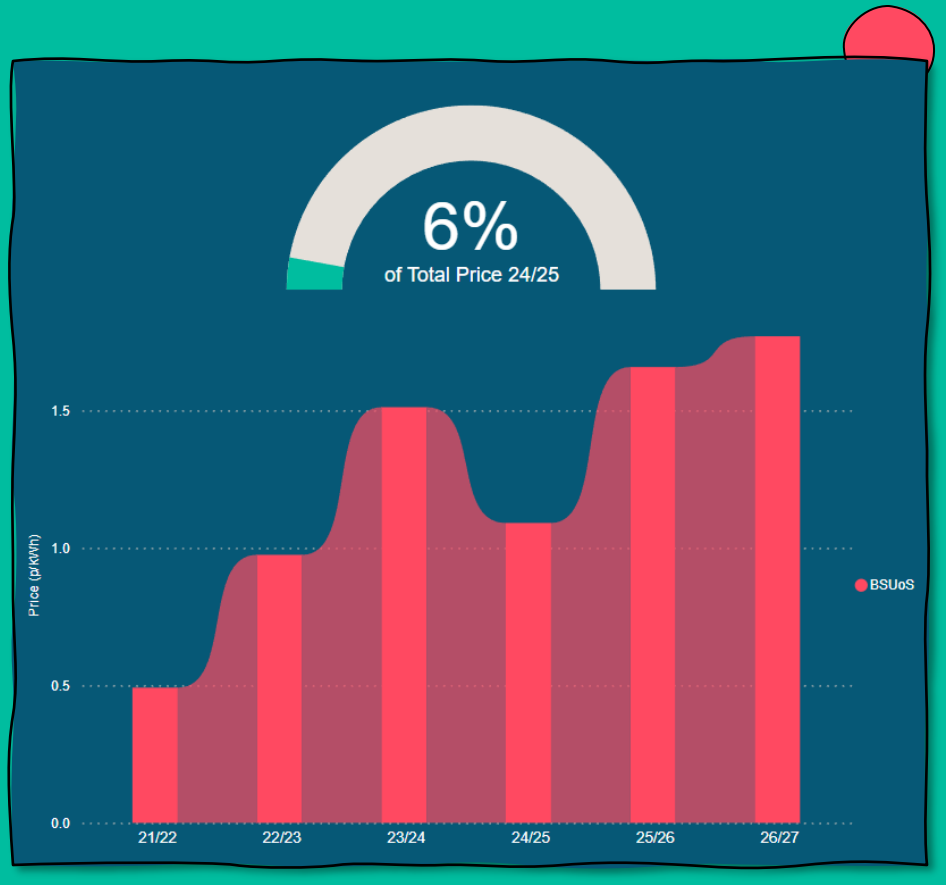
- TNUoS and DUoS charges cover the costs to maintain and operate the transmission and distribution networks which move electricity from where it is generated to where it is consumed.
- They have been trending up over the last 5-years which in part is due to the changing nature in which we generate energy. With less large centralised and more green localised generation the UK network requires large investment to facilitate the change.
- Over recent years we have seen variable (p/kWh) rates for DUoS reduce as fixed (p/day) rates increase. These changes were implemented to guarantee revenues for network operators as costs cannot be avoided by customers with the ability to load shift at peak times.
- In 25/26 further price structure changes will be implemented which will see capacity charges increase significantly as fixed (p/day) rates fall. This may help with capacity restraints on the network as customers will be incentivised to relinquish unused capacity.



The p/kWh averages include capacity, fixed and unit rate charges averaged across all regions for a low voltage site specific residual band 2 customer. For costs that are not unit rate based, the forecast total cost for that charge over the entire year is calculated then divided by consumption in an assumed profile. Please be aware that DUoS and TNUoS charges can significantly based on meter location, size, and type.

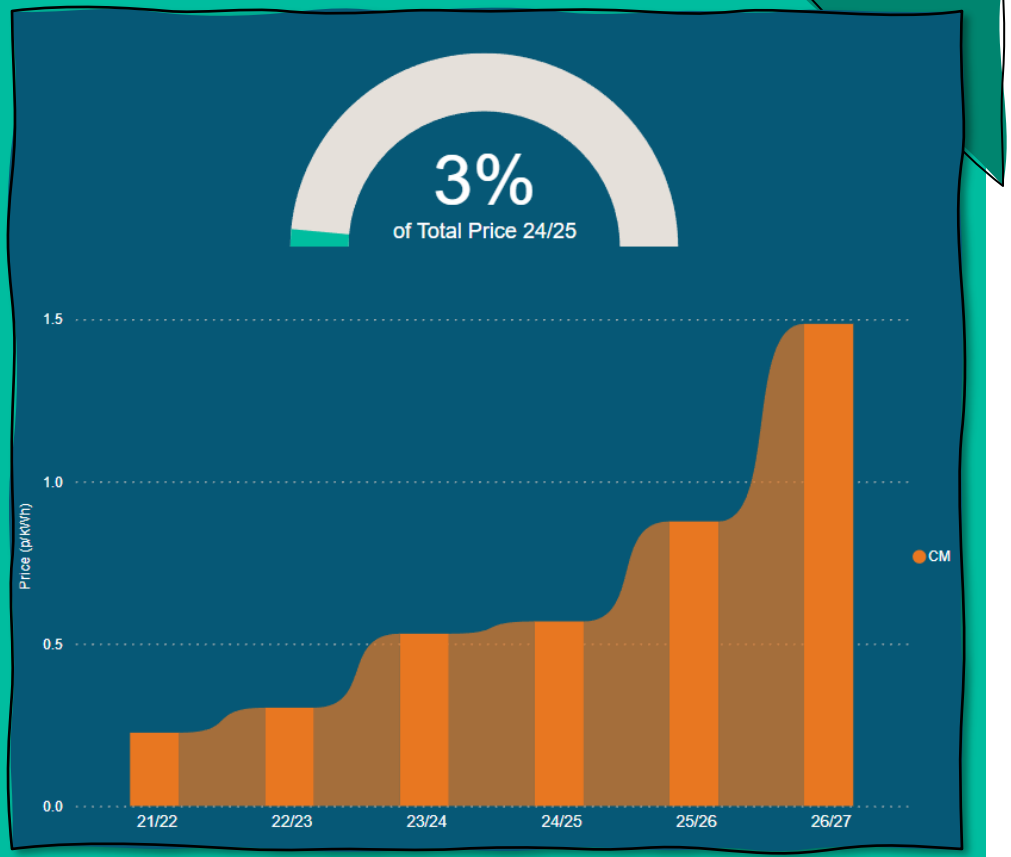
Balancing Use of Systems (BSUoS)

- BSUoS charge covers the cost of keeping the whole GB power network in balance by National Grid.
- BSUoS costs have been extremely volatile in recent years as the charge is influenced by the cost of electricity which in-turn is influenced by the cost of gas and carbon.
- From summer-23 changes were made to charging methodologies which meant final tariffs are now published 9-months ahead and the tariffs include flat costs for each season.
- Since the changes National Grid have struggled to recover the correct revenues leading to proposals to modify the methodology.
- Future BSUoS forecasts will likely include costs to fund a Future System Operator (FSO) who will be the independent, public corporation responsible for planning Britain's electricity and gas networks and operating the electricity system.



Capacity Market

- The Capacity Market scheme pays participants revenue to make capacity available to National Grid at short notice if there is a system stress event. It is designed to create security of supply by making sure there is enough capacity to meet future demand.
- Capacity is secured using multiple rounds of auctions where prices start high and descend over time until enough capacity is secured to meet the target.
- Prices are set to increase significantly in the coming years as recent capacity auctions resulted in record high prices.



Policy Updates

New Costs

EII Support Levy (ESL)

The Government has introduced a series of measures to enhance the competitiveness of Energy Intensive Industries (EIIs).

- Green levy exemption increase from 85% to 100% from Apr-24 (0.015p/kWh increase for non-EII customers)
- Expanded exemption to Capacity Market costs from Oct-24 (0.02p/kWh increase for non-EII customers)
- Network Charging Compensation Scheme for grid-related charges from Apr-25 (0.15p/kWh increase for non-EII customers)

Nuclear (RAB)

- Scheme to fund new Nuclear generation capacity.
- Like the CfD scheme but generator payments will begin during construction due to the large capital outlay for projects.
- Sizewell C expected to land the first RAB contract.
- The scheme could start this summer or more likely Apr-25.

Focusing our energy on yours

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Non-commodity Cost Glossary

AAHEDC - Assistance for areas with high electricity distribution charges
A cost that exists to recover the cost of providing energy to places in the country which would experience extreme T&D costs (North Scotland).

BSUoS – Balancing Service Use of Systems
A cost paid to the National Grid to recover the cost of keeping the entire network in balance.

CfD – Contracts for Difference
A cost levied to support large scale renewable generation such as wind farms. It was as the successor of the RO scheme.

CM – Capacity Market
A cost to ensure that there is sufficient capacity available to meet future electricity demand. The scheme secures capacity from generators via auctions to ensure there is enough power available especially during system stress events.

Distribution Losses
Electricity which is lost when transported across the low voltage distribution network.

DUoS – Distribution Use of Systems
A cost paid to the National Grid which allows them to recover the cost of installing and maintaining the Distribution Network.

EII Compensation Scheme
A series of measures to enhance the competitiveness of Energy Intensive Industries (EIIs).

Elexon - Electricity Market Reform Settlement Operator
Fees charged for administering the electricity market settlement processes including metering, data processing, and settlement calculations.

Non-commodity Cost Glossary

FiT – Feed in Tariff
The Feed-in Tariff scheme was created to accelerate investment in renewable energy technologies. This charge subsidised small renewable generators which are necessary for solar panels on domestic roofs etc. The scheme was closed to new entrants in March 2019 but does continue to support existing generators.

GSP - Grid Supply Point
The point on the national electricity grid where electricity is transferred between the high voltage transmission network and the lower voltage distribution network. This accounts for electricity after transmission losses are applied.

MSP – Meter Supply Point
The point in the electricity journey where energy is consumed. This accounts for electricity after transmission and distribution losses are applied.

NBP – National Balancing Point
The point in the electricity journey where energy is traded and traditionally generated. This accounts for electricity prior to the application of transmission or distribution losses.

RO – Renewables Obligation
A cost levied to support large scale renewable generation such as wind farms. The scheme is closed to new applications but does continue to support existing generators.

TNUoS – Transmission Network Use of Systems
A charge paid to the National Grid which allows them to recover the cost of installing and maintaining the Transmission Network.

Transmission Losses
Electricity which is lost when transported across the high voltage transmission network.