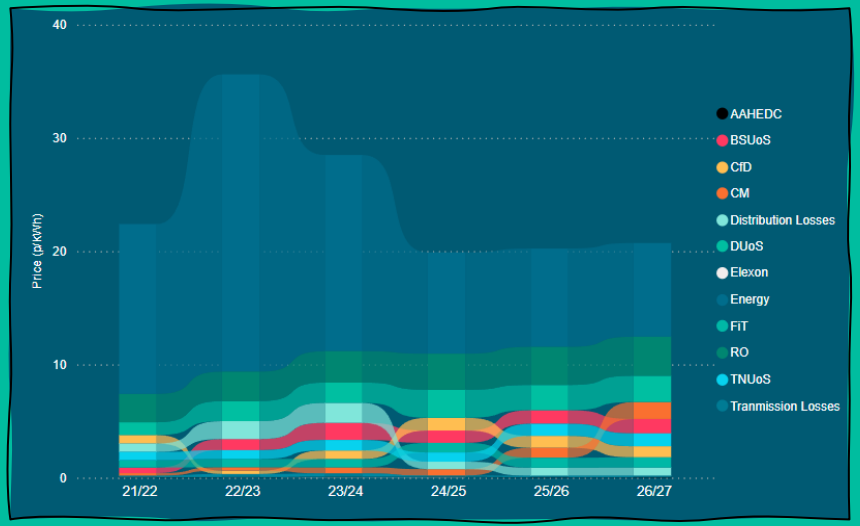
Non-commodity Report

October 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).*

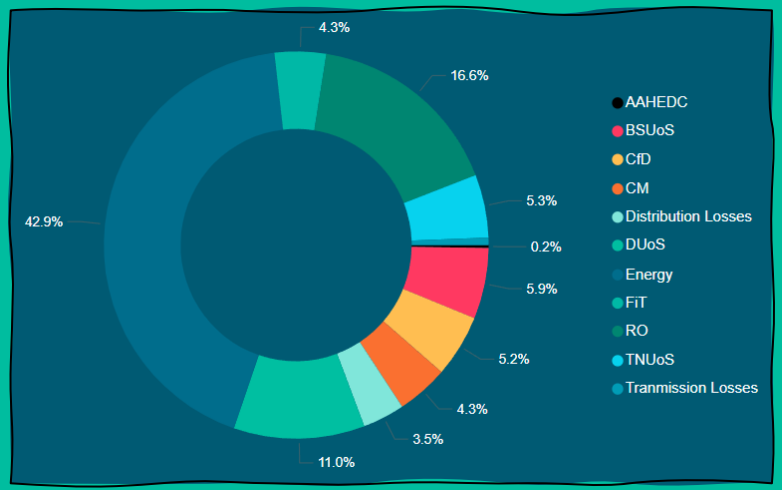
Electricity Cost Stack



Electricity Price Trend

When the cost of energy is excluded non-energy prices have been rising since 2021 and this trend is forecast to continue.

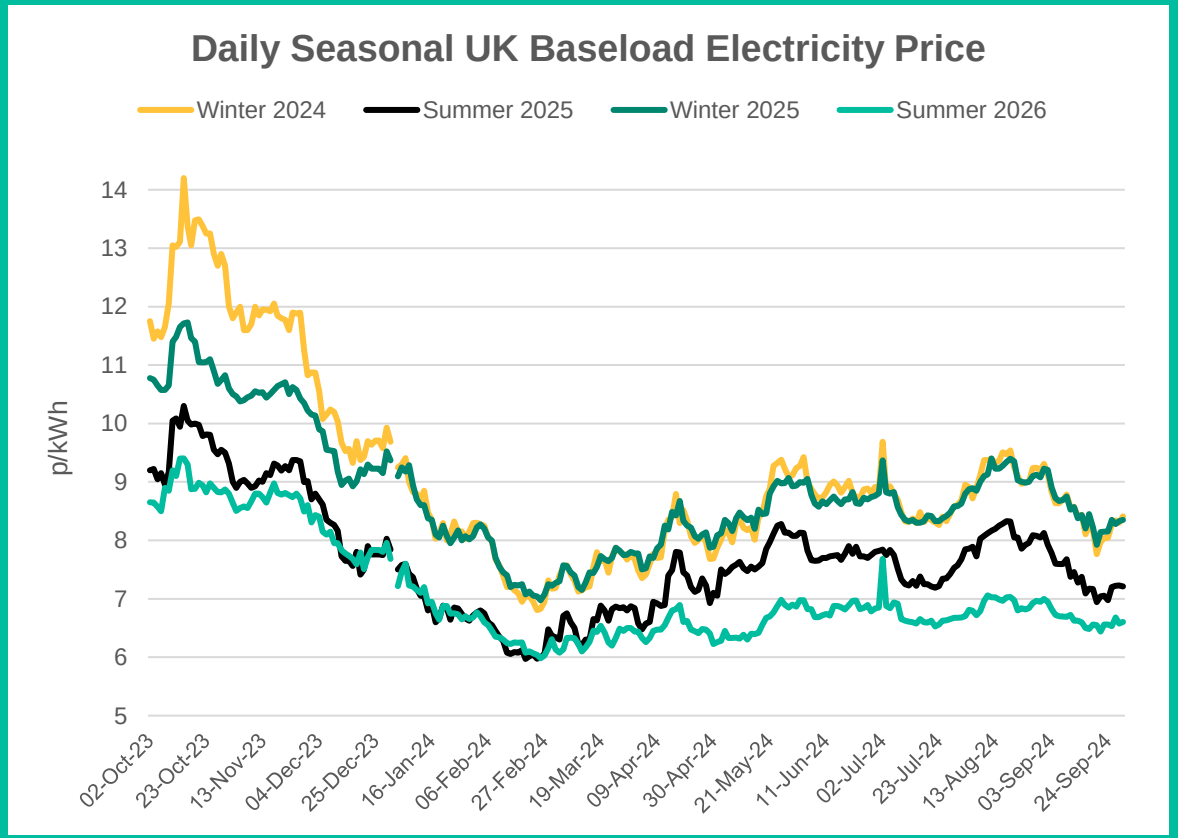
Overall non-energy cost forecasts remain consistent with April's report – with only minor adjustments.



April '25 - March '26 Prices

The energy component of an electricity price sits at around 43% and that proportion is forecast to continue to drop with an October 26 contract likely to be around 40%.

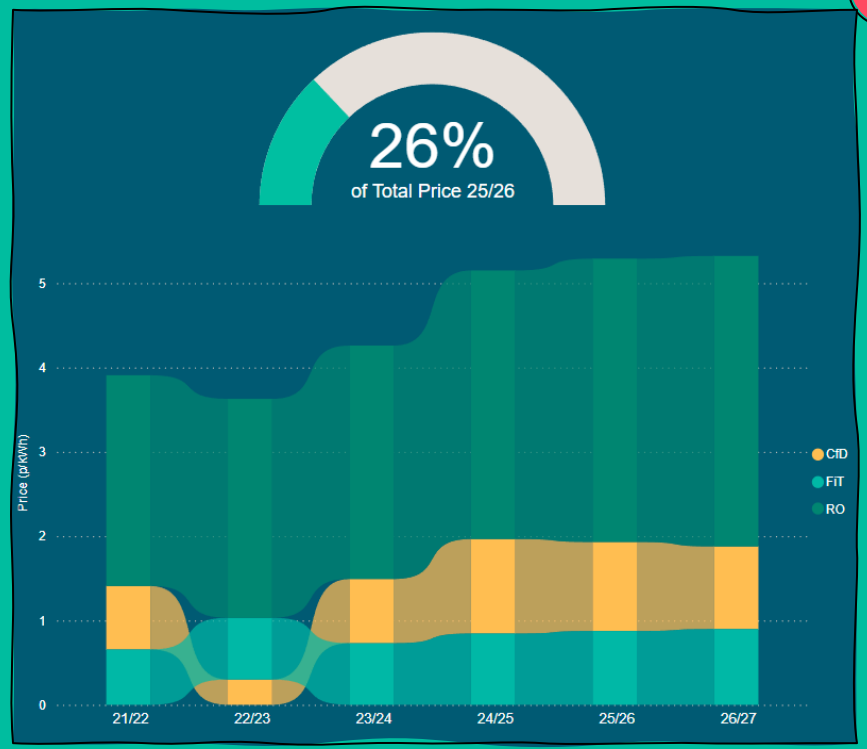
Seasonal Energy Price Trends



- Seasonal electricity prices have generally stablised since the April report when viewed in the context of the last couple of years, but they have demonstrated increases from the lows witnessed in February and March of 2024.
- The seasonal curve remains relatively flat with very little difference in winter seasonal prices, but Summer 26 is currently trading at a small discount to Summer 25.
- Market fundamentals remain fairly positive with Europe experiencing high levels of storage in preparation for the winter period.
- Geopolitical events unfolding in Russia/Ukraine and in the Middle East have created volatility and nervousness in the market despite have very limited impact on the supply and demand position so far.
- For more information, please see our Energy Market Review's available at www.gingerenergy.co.uk.

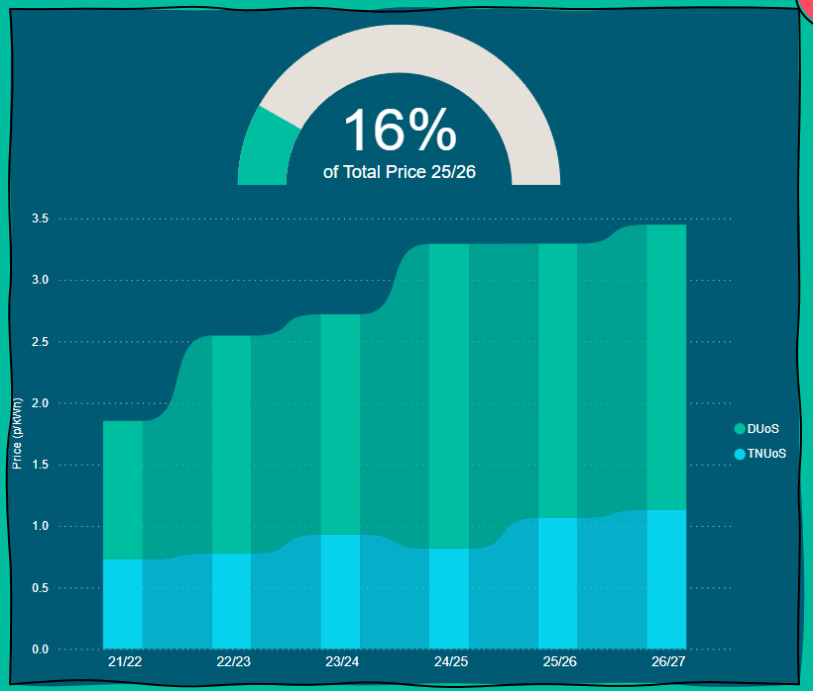
Green / Low carbon Subsidies

- 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 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.
- CfD forecasts can be very volatile as they are dependent on wholesale prices. Since the April report 24/25 and 25/26 estimates have dropped marginally, whilst an increase of 0.2 p/kWh is predicted for 26/27. FiT and RO forecasts are marginally lower.



Transmission (TNUoS) and Distribution (DUoS)

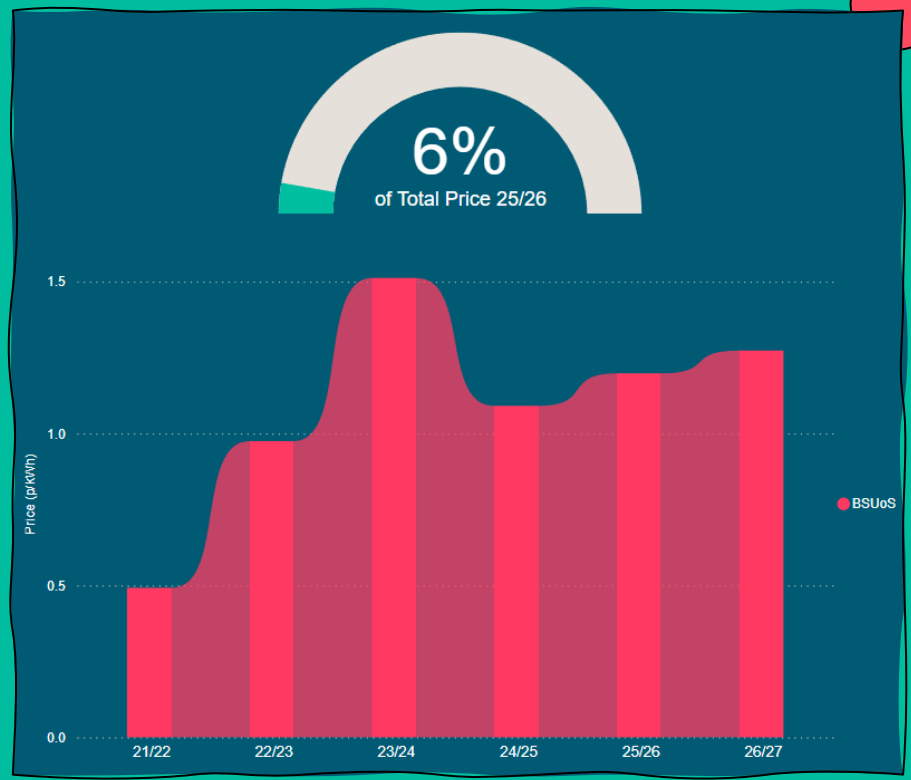
- TNUoS and DUoS charges cover the costs to maintain and operate the transmission and distribution networks which move electricity from where it is generated to where it is consumed.
- They have been trending up over the last 5-years which in part is due to the changing nature in which we generate energy. 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.
- Since the April report TNUoS forecasts have increased around 0.2 p/kWh for 25/26 and 26/27.



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.

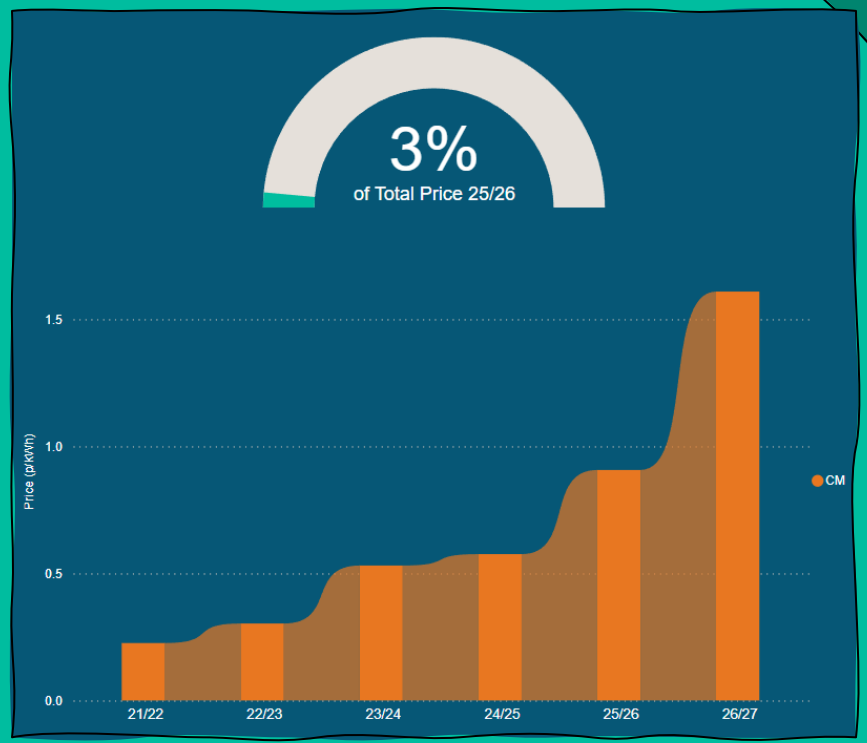
Balancing Use of Systems (BSUoS)

- BSUoS charge covers the cost of keeping the whole GB power network in balance by National Grid.
- BSUoS costs are underpinned by wholesale prices and therefore the forecasts are subject to change especially with conflict escalations in both the Middle East and Russia/Ukraine.
- 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.
- Since the April report BSUoS forecasts for 25/26 and 26/27 have reduced by around 0.2 – 0.3 p/kWh.



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.
- Capacity Market forecast have increased for all future years with the most notable difference a 0.12p/kWh increase to the 26/27 view.



Policy Updates

Since the April 24 report there has been very little in the way of meaningful updates in relation to the below charges apart from the forecast impact of the Network Charging Compensation Scheme on non-EII customers has dropped by 0.05p/kWh.

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 (0.1p/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 is likely to start Apr-25.

Focusing our energy on yours

Disclaimer: *The information contained in this document has been prepared in good faith by Ginger Energy and provides our views on current/future trends and outcomes, but, as with all forecasts dependent upon multiple, complex variables, there is no certainty whatsoever that our forecasts will turn out to be correct. The information may be based on licenced 3rd party data, publicly available sources, assumptions, and observable market conditions and may change without notice. No warranty, express or implied, is made as to the accuracy, correctness, fitness for purpose, completeness or adequacy of this information nor is it intended to serve as basis for any procurement decision and as such Ginger Energy shall not accept any responsibility or liability for any action taken, financial or otherwise, as a result of this information. Please note that this email is intended for the recipient only and may not be copied, reproduced, or distributed without the prior consent of Ginger Energy.*

The Cloisters, 12 George Road,
Edgbaston,
Birmingham.
B15 1NP

0345 307 3433
info@gingerenergy.co.uk
www.gingerenergy.co.uk

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.