

Appendix 4 - Energy price forecast for Oct23-Sep24 - February 2023

From: [REDACTED] <[REDACTED]@camden.gov.uk>

Sent: 10 March 2023 12:24

Subject: Energy price forecast for Oct23-Sep24 - February 2023

Importance: High

Good afternoon

I am writing to provide you with forecasting for Camden's energy contracts, focussing on prices for the **Oct 2023 – Sep 2024** supply period. I would encourage you to read the full email and review the different forecast scenarios in the table below.

- Energy prices are fixed for the Oct 22 – Sep 23 supply period (for gas and electricity supplies on Camden's energy contracts).
- Forecasts for **Oct 23 – Sep 24** energy prices are detailed below, based on the % of energy purchased (as of 24 Feb 2023).
- 3 forecast scenarios have been provided, to illustrate how changes in energy market conditions can affect pricing.
- Forecasts are an average of LASER's Flexible basket. Actual percentage change will vary significantly by customer, site, meter and location.

<u>Price forecast - for Oct 23 - Sep 24 energy prices (Feb 2023)</u>	% energy purchased (as of 24 Feb 2023)	Gas	Electricity (not including Street Lighting)
low-case forecast Price increase/decrease takes into account energy already purchased, plus the impact of buying the remaining energy at the lowest market price since 1 April 2022	79%	-12.00%	8.60%
mid-case forecast Price increase/decrease takes into account energy already purchased, plus the impact of buying the remaining energy at current market prices (Feb 23)	79%	-11.10%	10.30%

high-case forecast Price increase/decrease takes into account energy already purchased, plus the impact of buying the remaining energy at the highest market price since 1 April 2022	79%	16.00%	36.20%
---	-----	--------	--------

- This forecast (February 2023) is the first forecast for the Oct 23-Sep 24 pricing period.

The Council buys its gas and electricity through LASER, who are a public sector central purchasing body. Camden's procurement strategy limits our exposure to energy market volatility by allowing us to purchase energy over a period in advance of the supply date.

Prices have softened considerably since the unprecedented market highs reached in August 2022, with the downward movement driven largely by milder temperatures, high European gas storage levels and strong liquefied natural gas (LNG) supply. Prices sit 70-80% below the August levels but remain at historically high levels. Markets peaked again through the early-mid December 2022 cold snap, rising 30-50% before continuing to soften as temperature forecasts and wind generation improved.

LASER's long-term hedging strategies (forward buying) have largely protected customers from 2022's record high prices. Whilst markets have softened, it is vitally important to note that prices remain at historically high levels and are susceptible to sudden movements due to fundamental and geopolitical drivers.

The following pricing notes should always accompany the Feb 2023 forecast information:

- Forecasts include both the commodity and non-commodity rates, with an incorporated risk element of 10%, and are provided in good faith with accurate data at the time of completion.
- The high and low case scenarios are based on high/low market prices for the relevant contracts since 1 April 2022.
- LASER's long-term hedging strategies have largely protected customers from 2022's record high prices. Whilst markets have softened, it is vitally important to note that prices remain at historically high levels and are susceptible to sudden movements due to fundamental and geopolitical drivers.
- Non-commodity costs are also seeing considerable changes with the likes of UIG (unidentified gas) on gas increasing and the impact of the Targeted Charging Review on electricity seeing the share of the fixed cost element increase.
- These forecasts do not factor in any element of EBRS or EBDS discount.
- Based on current market conditions, we do not expect Camden's contracts to be eligible for EBDS support from April 2023 - [Energy Bills Discount Scheme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/energy-bills-discount-scheme)

- LASER will continue to send regular market updates and quarterly price forecasts.

I appreciate that this email has been sent to numerous colleagues, and I would be grateful if you could avoid replying to all. Please contact me directly if you would like to discuss any points raised in this email.

I will liaise with [REDACTED], to have this published in the Headteachers' Bulletin and distributed to school business managers and bursars.

Regards

[REDACTED]
Senior Energy Management Officer