



POWER YOUR FUTURE WITH ONGEN

## Another fine mess - and we don't even mean Brexit!

In our last newsletter we highlighted the rising cost of gas as spring was approaching. Like us you must also have noticed that those prices really kept on going and no doubt sterling's weakness and system outages played a part. The main reason, however, was due to the price of oil which rebounded strongly, as evidenced by the fact that Shell announced two major investments in the North Sea, possibly indicating their bullish attitude regarding oil prices in the future.

NATURAL GAS: UK NBP					ELECTRICITY: UK BASELOAD				
Contract (p/therm)	Closing Prices				Contract (£/MWh)	Closing Prices			
	04-Oct-18	05-Oct-18	Change (Δ)	YoY Change (p/therm)		04-Oct-18	05-Oct-18	Change (Δ)	YoY Change (£/MWh)
Day Ahead	71.20	71.55	▲ 0.5%	24.15	Day Ahead	67.00	67.00	▶ 0.0%	19.50
Month Ahead	74.65	75.45	▲ 1.1%	25.28	Month Ahead	70.50	71.55	▲ 1.5%	17.01
Q1-19	77.10	77.89	▲ 1.0%	25.39	Q1-19	71.80	72.40	▲ 0.8%	33.70
Summer-19	65.21	65.50	▲ 0.4%	25.13	Summer-19	62.12	62.44	▲ 0.5%	22.15
Winter-19	73.20	73.38	▲ 0.2%	25.61	Winter-19	67.38	67.46	▲ 0.1%	22.26
Summer-20	57.67	57.25	▼ -0.7%	17.31	Summer-20	55.64	55.53	▼ -0.2%	16.89
Winter-20	66.75	66.12	▼ -0.9%	18.67	Winter-20	60.89	60.82	▼ -0.1%	17.03



Source: Ecova Daily UK Energy Market Watch

## Capacity Market Uncertainty

With the imminent demise of the generation feed in tariff and no sign of what (if anything) will replace it, OnGen has always emphasised the economic benefits of onsite renewable generation and storage derived from avoiding grid supplied electricity and gas.

In our last newsletter we highlighted revenues from frequency response services, e.g. EFR/FFR, and the Capacity Market (CM) have been eroded through over subscription and National Grid "de-rating" certain kinds of storage technology in the CM. This has made it almost impossible to place any reliance on these revenue streams. In view of this OnGen is focusing on optimising generation to meet demand, load shifting and peak shaving. We have thus far discounted the revenue streams from participating in the provision of grid services, be it FFR, EFR or the CM.

Last week's ruling by the European Court of Justice (ECJ) which has halted the CM in the UK is precisely why the OnGen platform does not include these revenue streams in its financial projections. Ultimately the case that was taken to the ECJ could be beneficial to the UK battery/DSR market as it could be argued that the structure of the market favours existing fossil fuel plants including dirty coal and diesel sites.

### So what now?

Well, for parties that had already bid successfully in previous auctions there is a period of cash flow uncertainty. BEIS confirmed that the ruling had imposed a "standstill period" on the Capacity Market, and that the department was working with National Grid to contact affected parties.

## Customers

We are delighted to welcome even more valued customers to the OnGen client base. They cover a range of public and private sectors and include Love Energy Savings/Solutions, Ameresco, another NHS Trust, Coop Energy and a very large biomass plant.



Please contact [sales@ongen.co.uk](mailto:sales@ongen.co.uk) for any enquiries

## Events

Following an invitation from the Greater London Authority (GLA) our MD, Chris Trigg, spoke at the Business Leaders for Climate Change Workshop which was held at the Sky Campus in November. This is a fantastic initiative between the GLA, CDP, The B Team, C40 and some of London's largest companies, all of which have committed to mapping the onsite renewable potential of their London based properties by 2020. OnGen is delighted to be supporting this esteemed group



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## Market News

The retail energy supply sector is experiencing turbulent times, particularly those companies with a significant domestic customer base. We have already seen the failure of two of the largest independent suppliers within two days of each other, Extra Energy and Spark Energy Supply. Contributing factors include the impending price cap which is due to be implemented on 1st January 2019, the rapid increase in wholesale energy prices and the full implementation of P305 which means that balancing prices can now reach £6,000/MWh.

So what happens when an energy supplier fails? The first thing the energy user should do is not to panic. The supplier of last resort process (SoLR) is a robust mechanism for the orderly transfer of supplies to a new supplier, in the case of Extra Energy the new supplier is Scottish Power and in the case of Spark Energy Supply the new supplier is Ovo Energy.

Unfortunately it is likely that other energy suppliers will find market conditions too difficult to trade through before the end of the winter. We are aware that some unscrupulous brokers (not any of OnGen's customers!) spread rumours about uncertainty of supply when this happens in order to persuade people to switch but rest assured there is a reliable process in place to maintain energy supply.

## Ofgem Targeted Charging Review

As we came to press Ofgem published their minded to decision and draft impact assessment in relation to how the costs of maintaining the distribution and transmission network should be recovered. This consultation came about because the current charging methodology was set at a time when there was far less distributed generation across the network and much less demand side response and storage.

Ofgem estimate residual charges make up 10-15% of a typical user's electricity bill and their preferred approach is to recover these costs from the final energy user via a fixed charge. The charge will be based on actual customer usage by customer segment defined by the line loss factor classes.

Responses to this consultation should be provided to Ofgem by 4<sup>th</sup> February 2019.

## CCL Rates Reminder

Businesses are reminded the rates for Climate Change Levy (CCL) will increase from 1<sup>st</sup> April 2019.

Electricity 0.847p/kWh (45% increase)  
Gas 0.339p/kWh (67% increase)

These increases were announced in the March 2016 budget when the government announced it was scrapping the Carbon Reduction Commitment (CRC).

# OnGen Newsletter

November 2018

## EMEX 2018

Busy times for Chris, he spoke at EMEX on the 21<sup>st</sup> November in the Facilities, Technology and Innovation theatre just a year after winning Best Energy Reduction Product in 2017.



## Industry Advocate

OnGen's MD Chris Trigg has been shortlisted in the Energy Live News personality awards to be held on the 6<sup>th</sup> December in London. This is great recognition for Chris' contribution to the energy industry. We wish him well!



## New Office

OnGen have moved to great new offices at Napier University in Edinburgh, part of the Bright Red Triangle innovation hub.

Commenting on the move, Chris Trigg said "we are delighted to be working alongside



some of the brightest talent in Edinburgh and tapping into a rich source of support across all parts of the business".

Napier is no stranger to onsite generation with their innovative wall mounted solar panel array.