



Video Transcript Latest Cost Forecast

00:00 [Title]
TALKPOWER
Better insights. Better outcomes.

00:10 **James Chaplin, Market Analyst at EDF Energy**

Hello. My name is James Chaplin. I'm the Market Analyst here at EDF Energy, primarily focusing on commodity market reporting and forecasting our low carbon non-energy costs.

00:19 **Non Energy Costs**

Non-energy costs are due to grow over the years and to become the largest part of a customer's bill. If we look just from 2017-18 to 2018-19, non-energy costs are due to grow by almost 20% with the largest difference in the Contracts for Difference, Renewable Obligation and the Capacity Market Supplier Charge. So it's really important for a customer to not only understand commodity markets and what's driving power prices, but to really be engaged and understand non-energy costs. What's really driving these costs? What's feeding into them? What are the main uncertainties in the next year?

00:49 **Three key differences**

Well as always, there's lots of movement and lots of change. However BSUoS, the Contracts for Difference and the Feed-in Tariff will be the key non-energy costs to watch out for over the next year.

01:00 **Feed-in Tariff**

The Feed-in Tariff cost is expected to grow as we enter 2018-2019, as more capacity actually enters the scheme. The two things to watch out for next year are utilization of capacity caps. So how utilized are these going to get? And the EII exemptions ... will these be implemented in the 2018-2019 period?

01:17 **BSUoS Volatility**

BSUoS volatility is expected to decrease as we enter 2018-2019.

This is mainly due to the HVDC link becoming operational between England and Scotland, reducing some constraints between the two countries.

01:30 **Winter/Summer price differential**

One thing to watch out for this year is the Winter/Summer price differential. Last year, we saw summer being more expensive than winter due to more wind capacity being online so this is something really to monitor.

01:40 **Capacity Market**

On to capacity market. We found out at the beginning of February that the T minus 1 capacity market auction cleared at about £6 per kilowatt. Slightly below our original forecast however there's still uncertainty as we enter 2018 as its reliant on time of use.

01:54 **Renewable Obligation**

Next. The Renewable Obligation cost. This is expected to increase as we see more capacity enter the scheme. However we have certainty around the 2018-2019 cost as BEIS have released both the obligation level and the buyout price. We also have certainty around EII exemptions. These passed through Parliament at the end of 2017 and will be implemented on the 1st April, 2018.

02:16 **RO to rise**

Looking further ahead, we see the RO cost due to increase even further but at a slower rate. This is due to the RO scheme closing to new capacity at the start of 2017. And we don't forecast any new capacity entering the scheme past 2019.

02:30 **Contracts for Difference**

The Contracts for Difference is the newest of the low carbon schemes. As we see new generators enter the scheme, we expect the cost to increase. There's also quite a bit of uncertainty in our forecast, as its reliant on power price movements and new generator start dates. This is something we will continue to monitor and update in our forecast every day.

02:50 **Conclusion**

So that's the story. As I've said, non-energy costs are due to rise and make up more of a customer's bill. So it's really important for

a customer to be informed about these non-energy costs. There's 3 main ways to do this. Number one is through the TalkPower program, so this will be through webinars, conferences and blogs. Number 2 is through our Quarterly Monitor Report, where you can follow each of our experts as they write about our latest forecast for each non-energy cost. And lastly is through the Market Insight portal, where you can follow everything energy, ranging from power market news, regulatory updates and even triad alerts. And as its part of my job to comment on these markets, you'll be able to catch my updates on there every day. So I'd personally like to invite you to sign up. See you on there!

03:38

EDF Energy – Works For Me

DISCLAIMER - The information contained in this film provided by EDF Energy Customers Ltd ("EDF Energy"), a company registered in England and Wales with company number 2228297, whose registered offices is at 90 Whitfield Street, London, W1T 4EZ. The information in this film is provided for your own internal business purposes and may not be used, reproduced, copied or circulated to any other person without EDF Energy's prior written permission. This film is provided for information purposes only and may include opinions expressed by EDF Energy which cannot be guaranteed in any way. EDF Energy does not represent or warrant that the information provided to you in this film is comprehensive, up-to-date, verified or complete, and shall have no liability whatsoever for the accuracy of the information or for any reliance placed on the information or use made of it by any person. Nothing in this film constitutes or shall be deemed to constitute advice or recommendation to engage in specific business activity or enter into any transaction.