

Energy Trading

October 2019

Overview

Cross Commodity Trading – view from NBP Gas

Overview of the Drivers for Front Month Gas during September 2019 & Seasonal pricing for Winter 2018

ISEM 1 Year on – view on the Market

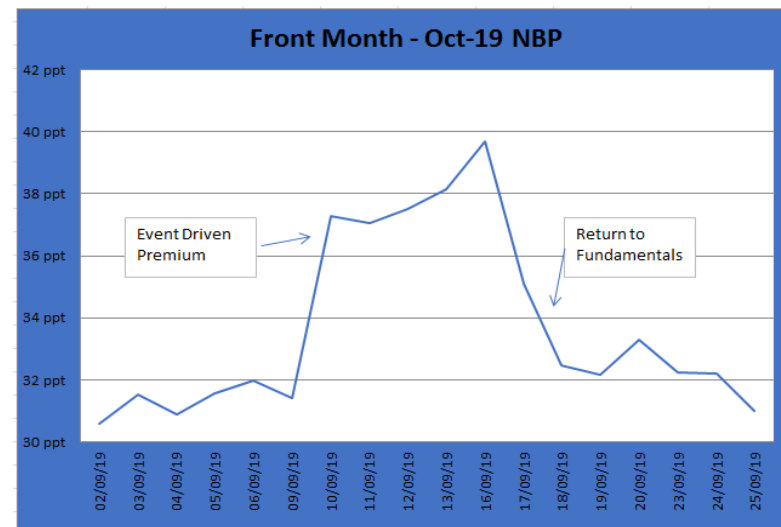
My thoughts on Operational Trading in ISEM

Buy the Rumour, Sell the Fact - Front Month NBP (October 2019)

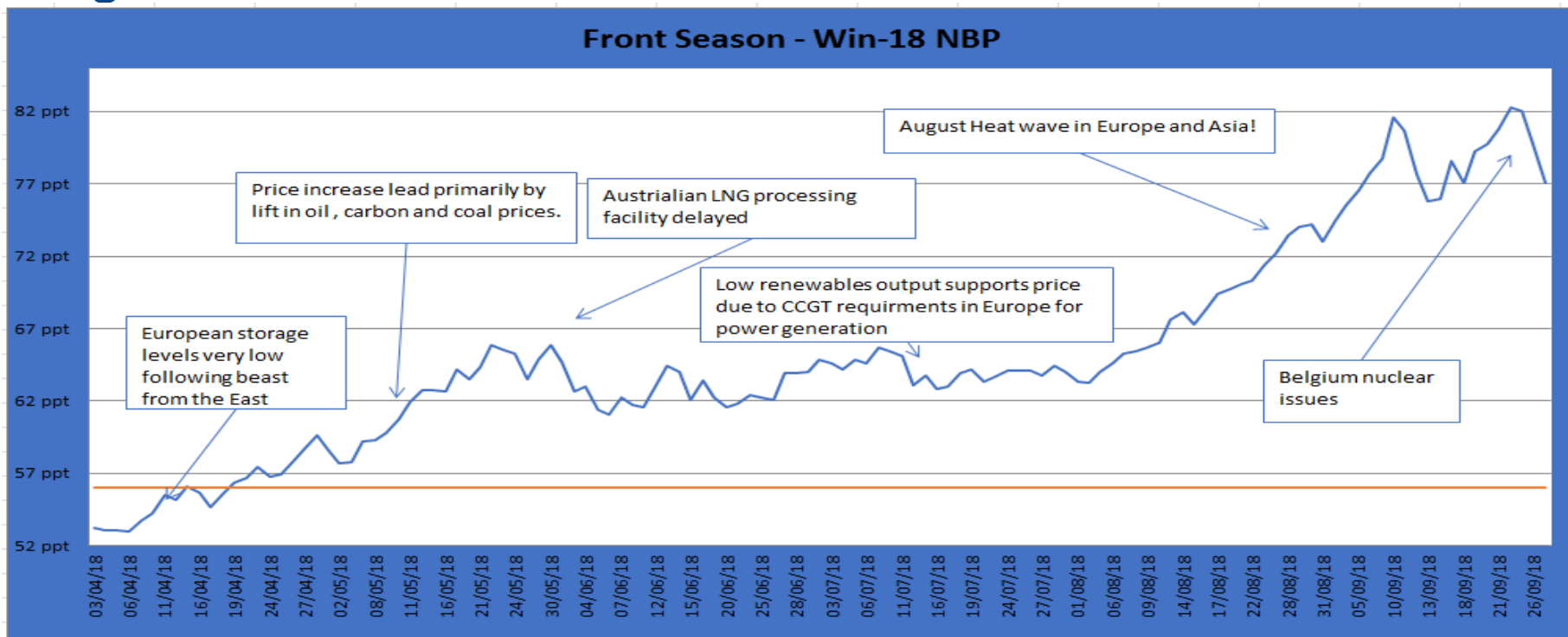
- Fundamentals looked weak coming into October due to high storage levels, strong LNG supplies to Europe due to weak Asian demand & returning Norwegian supply from summer outages.

| Headline Event | Gas Market Impact | Context | Outcome |
|-------------------------------------|-------------------------|---|---|
| Suspect French Nuclear availability | Increased Demand | Increased Euro CCGT's needed to cover nuclear outages | EDF do not expect they will need outages over the winter |
| Groningen Gas field decommissioning | Reduced Supply | Field decommissioning earlier and at faster rate than market expected | new baseline |
| OPAL Restricted capacity | Reduced Supply | Reduced Russian Gas flows to Europe due to EU Court imposed restrictions on the OPAL pipeline | Russian flows redirected through Eastern Europe |
| Saudi Drone attack | Reduced euro LNG Supply | Increased oil price leading to LNG going to Asia due to oil indexed contracts | Strikes did not impact the processing infrastructure as much as had been concern leading to a weakening of the oil price. |

- Market responds to a number of bullish news stories in early September.
- As the events unfold they become more bearish leading to a trade off to fundamental levels.



August 2018 Heat Wave – Winter 18 NBP



ISEM 1 Year on

- Auction prices consistent with wind levels, commodity prices and plant availability. Liquidity is concentrated in DA Market with very poor liquidity within day.
- Cashout uncertainty remains an issue. Pricing algorithm difficult to predict and can be unintuitive to the system direction or produce stress pricing in benign conditions.
- Poor visibility of market fundamentals like PN plant commitment or availability makes judging imbalance exposure difficult.
- Market would benefit from market design simplification. Removing penalties associated with partially clearing plant might help liquidity as would moving more towards portfolio rather than unit trading.