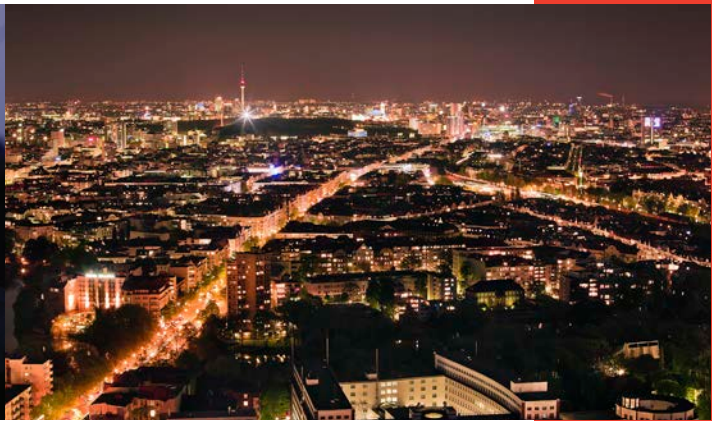


A nighttime photograph of a city skyline. The image features several tall skyscrapers with illuminated windows, creating a grid of light. In the foreground, there are blurred light trails from moving vehicles, primarily in shades of yellow and white, with some purple and blue bokeh lights. The overall scene is vibrant and dynamic, set against a dark night sky.

e-on

Monthly Market Report

November 2017



Market summary for October 2017

Gas

Gas prices remain firm amid planned and unplanned outages

Power

Front month losing value despite French nuclear availability news lifting the rest of the curve

Oil

Oil holds at recent highs, caused by tension in the Middle East and production curbs

Carbon

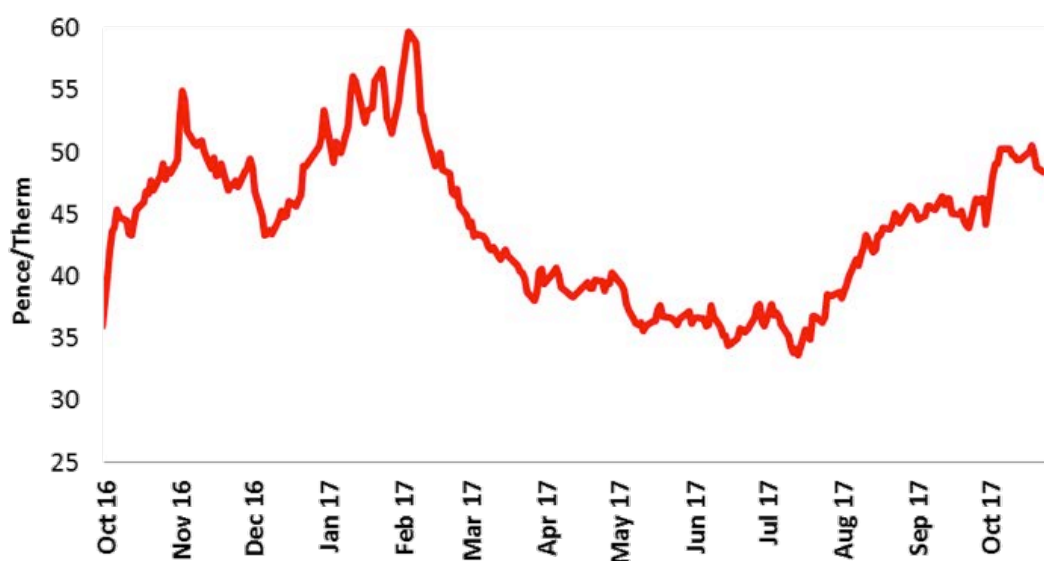
Carbon price remains high amongst politically driven volatility

Direction of commodity prices (September 17 to October 17 & October 16 to October 17)

	Monthly Movement	Yearly Movement
Gas price	↑	↓
Power price	↓	↓
Oil price	↑	↑
Carbon price	↑	↑

Gas prices remain firm amid planned and unplanned outages

Gas Front Month Price



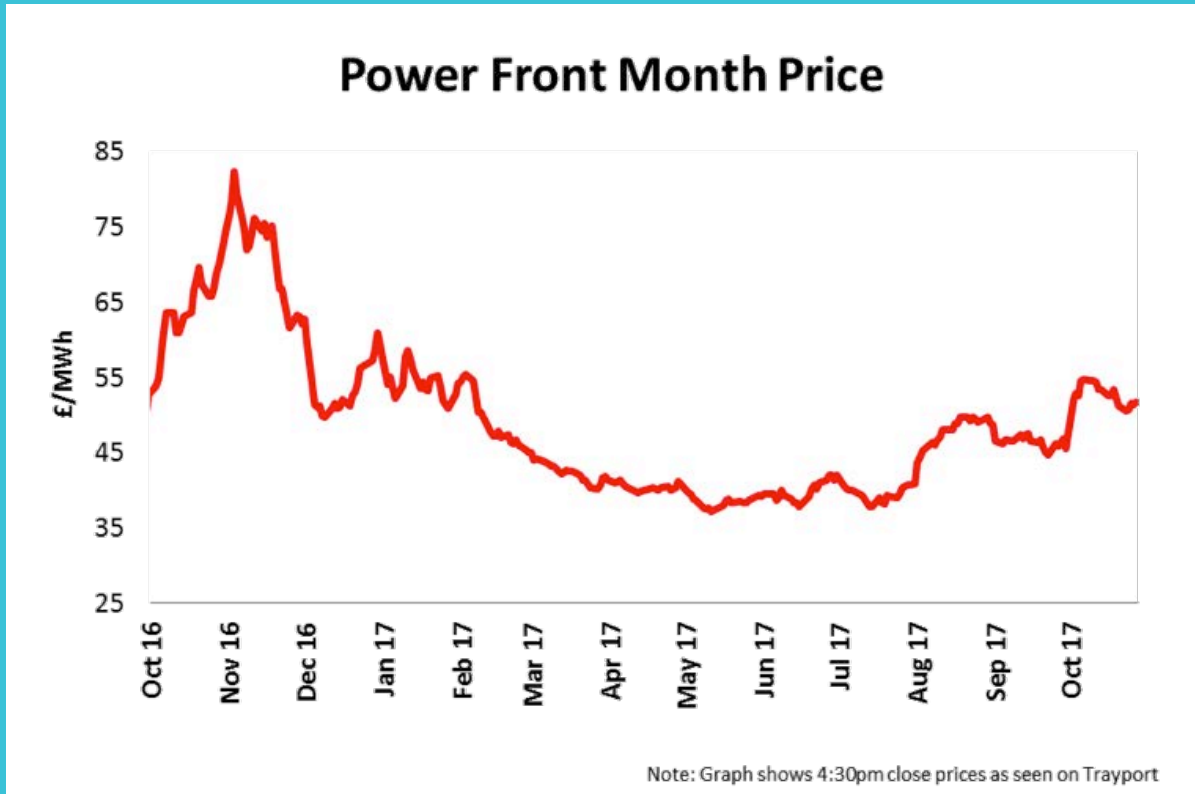
Note: Graph shows 4:30pm close prices as seen on Trayport

UK gas prices started the month on a bullish note as import flows were constrained by outages at several Norwegian gas plants. An outage at the Corrib field in Ireland, which was extended for several days, added further support to near curve contracts. Coal and oil prices have also been very strong and, along with a weak pound, have helped push the gas curve higher. Temperatures throughout the month remained mostly

above seasonal normal, which kept demand low and capped price gains for the prompt. Towards the second half of the month, prices shed some value as an improved LNG outlook for the UK put some downward pressure to the curve. In addition, sterling recovered its earlier losses against the euro after the European Central Bank's decision to extend its asset purchasing program until September 2018.

Power

Front month losing value despite French nuclear availability news lifting the rest of the curve

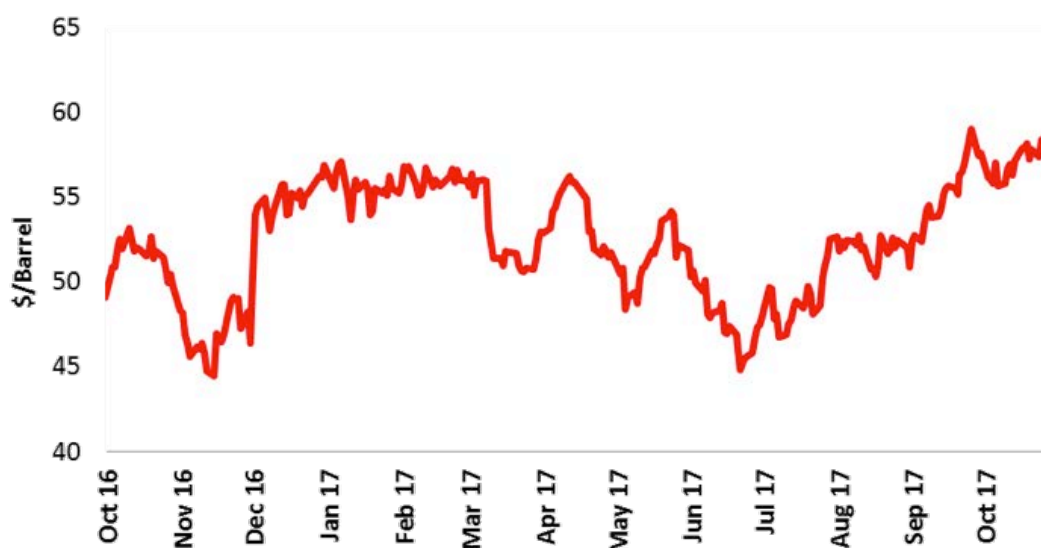


UK power prices are set to end October higher month-on-month as contracts found support in renewed concerns over French nuclear availability. National Grid issued its revised winter outlook showing a surplus margin considerably higher than their previous forecast, causing a drop in prices mid-month. However, towards the end of October, EDF announced further extensions to

already known outages for four nuclear reactors which pushed the French power prices sharply higher. Strength in the coal market has also provided support to the power curve. Despite the general bullish sentiment in the forward market, the UK power front month contract closed slightly lower as an upward revision in temperature forecasts for the first weeks of November pushed the contract lower.

Oil holds at recent highs, caused by tension in the Middle East and production curbs

Brent Crude Front Month Price



Brent oil gained over the course of October, but did not quite exceed the two-year highs seen in September. This firm price level was helped by continued tensions in Iraq, supportive commentary on production curbs and a slightly weaker dollar.

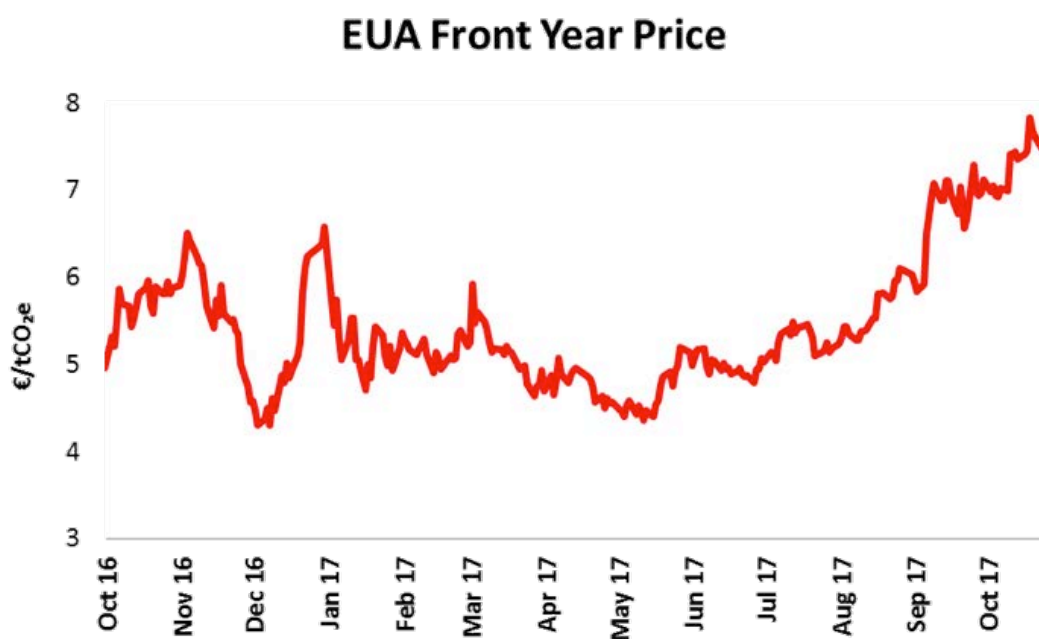
Concerns over the volume of oil exported from Iraq persisted this month, as Iraqi government forces moved into the city of Kirkuk. This follows last month's pro-independence vote in the autonomous region of Kurdistan, a vote not recognised by the Baghdad government. As the Kurdistan region of Iraq is key for

oil production and export this escalation increases the risk of disruptions.

At the same time, OPEC nations have indicated that they may be prepared to extend production cuts beyond the current scheduled end at the end of March 2018. Production cuts and increased demand have already seen global storage inventories fall by 180 million barrels since the start of 2017, but inventory levels remain 160 million barrels above their five-year average. The proposed extension to the cuts would be intended to further rebalance the oil market.

Carbon

Carbon price remains high amongst politically driven volatility



Carbon prices gained further in October, continuing September's trend. The key influence was a meeting in mid-October between the European Commission, Parliament and Council to discuss the EU ETS Phase 4 (i.e. the next phase of the emission trading scheme). Market interest in advance of the meeting saw prices rally, but an inconclusive outcome (in which the main agreement was to pursue further discussion before a final decision could be made) did not give further direction to the market.

Other than policy discussions, appetite for emissions permits remained strong this month as concerns over the availability of the French nuclear generation fleet led to a greater demand for generation from thermal plant – which need to back their position with emission allowances.

Things to watch out for in November

November is the beginning of the peak demand period for both gas and power. In gas, a key feature to watch (as is always the case in winter) will be weather, as this will dictate how full gas storage facilities are and thus how risky the balance of winter is perceived by the market. Another key factor to watch in the gas market is the availability of LNG – if there is a steady stream of vessels arriving in the UK, this could be a bearish factor in the market.

In the power market, November will be the second month of delivery for the GB capacity mechanism. Indications from October are that the generation plants contracted under this scheme have been delivering well, and this will continue to be watched in November to build confidence in the scheme.

Following moderately positive news on UK growth in late October, the next meeting of the Bank of England's monetary policy committee will be closely watched as it may trigger an increase in central bank interest rates – which would have wider impacts on the UK economy and strength of the pound.

Brexit negotiations will continue during November which will influence sentiment for the UK's economic outlook and the strength of the pound.

Jargon buster

CCGT:	Combined Cycle Gas Turbine
LDZ:	Local Distribution Zones
LNG:	Liquefied Natural Gas
MCM:	Million Cubic Meters
MEP:	Member of the European Parliament
NBP:	National Balancing Point
NTS:	National Transmission System
OFGEM:	Office of Gas and Electricity Markets
OPEC:	Organization of the Petroleum Exporting Countries
EIA:	Energy Information Administration
RO:	Renewables Obligation
CPI:	Consumer Price Index
ILO:	International Labour Organisation
UKCS:	UK Continental Shelf
IMF:	International Monetary Fund
IEA:	International Energy Agency
IUK:	Interconnector UK
EUA:	European Union Allowance
EU ETS	European Union Emissions Trading System
BoE:	Bank of England

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