



Energy Wholesale Market Review

Week Ending 17th March 2017



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Contents

Baseload Electricity	3
Peak Electricity.....	3
Seasonal Power Prices.....	4
Supplier Hedging Strategies.....	4
Wholesale price snapshot	5
About EDW Technology Limited	6



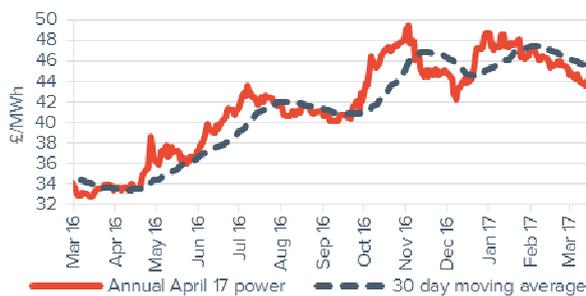
Headlines 17/03/2017

This week, there was a fall in all gas contracts, as well as a decrease in all near-term and most seasonal power contracts. Brent crude oil prices and EU ETS carbon prices also moved downwards, whereas API 2 coal prices increased. All gas contracts experienced declines this week, with lower gas demand due to higher temperatures. Day-ahead gas lost 2.8% week-on-week to 41.1p/th, amid an oversupplied system with comfortable gas supplies. The month-ahead contract slipped 2.2% to 41.5p/th. Overall, seasonal contracts averaged declines of 1.7%. All near-term baseload power contracts decreased this week, owing to lower gas prices and reduced power demand amid milder temperatures. Week-on-week day-ahead power fell 3.2% to £41.8/MWh. The month-ahead contract (April) lost 2.2% to £42.4/MWh. The majority of seasonal baseload power contracts experienced losses this week. Summer 17 power decreased 1.3% to £41.3/MWh. In contrast, summer 19 power remained at £42.0/MWh. On average, Brent crude oil prices slipped 4.7% to \$51.8/bl, with concerns over rising US crude production and a potential increase in US shale output. However, prices ended the week at \$52.1/bl, down just 0.6% on last Friday. On Tuesday 14 March, Brent crude oil dropped to \$50.8/bl, a three-month low, after an OPEC report showed an increase in both Saudi Arabian and US crude production in February. API 2 coal prices went up 0.3% to average \$65.2/t. However, prices ended the week at \$64.5/t, unchanged compared to last Friday. EU ETS carbon prices lost 2.5% this week to average €5.2/t, despite ending the week 1.4% above last Friday at €5.2/t.

Baseload Electricity

- All near-term baseload power contracts decreased this week, owing to lower gas prices and reduced power demand amid milder temperatures.
- Week-on-week day-ahead power fell 3.2% to £41.8/MWh.
- Annual April 17 power decreased 0.8% to £43.7/MWh this week.
- Prices were 3.9% lower than last month (£45.4/MWh), but 30.3% higher than the same period last year (£33.5/MWh).

Annual April Contract



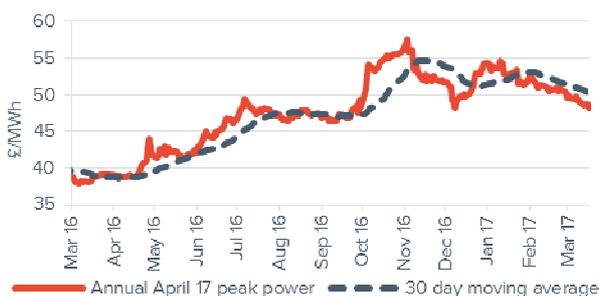
Forward Curve Comparison



Peak Electricity

- All near-term peak power contracts declined this week, following the gas market downwards, and with lower peak power demand levels.
- Day-ahead peak power lost 6.0% to £44.0/MWh. The contract was £2.3/MWh above its baseload counterpart.
- Annual April 17 peak power fell 1.5% to £48.3/MWh this week. The contract was £4.6/MWh above its baseload counterpart.

Annual April Contract



Forward Curve Comparison



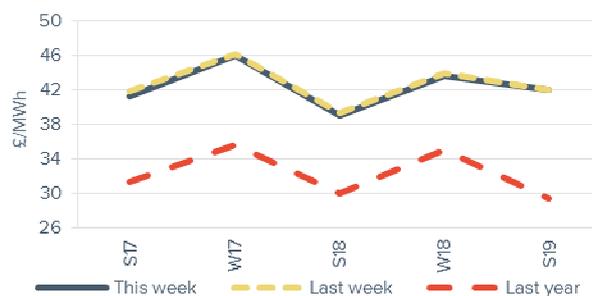


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- The majority of seasonal baseload power contracts experienced losses this week.
- Summer 17 baseload power decreased 1.3% to £41.3/MWh. Winter 17 baseload power went down 0.3% to £46.0/MWh. In contrast, summer 19 baseload power remained at £42.0/MWh.
- Summer 17 peak power went down 2.6% to £44.7/MWh.
- Winter 17 peak power lost 0.5% to £51.9/MWh.

Supplier Hedging Strategies

During February, prices generally decreased across gas and power markets, owing largely to milder temperatures leading to reduced gas and power demand. The annual April 17 gas contract slipped 2.1% from January to average 47.5p/th. The annual April 17 baseload power contract fell 2.9% to average £46.1/MWh. Brent crude oil prices rose 0.9% to average \$56.1/bl in February. API 2 coal prices fluctuated throughout the month, but on average went up 0.6% to \$67.0/t. EU ETS carbon prices varied between €4.9/t to €5.5/t, and on average decreased 2.3% to €5.2/t.

During February, the majority of price changes to fixed domestic dual-fuel tariffs were decreases. 11 of the price changes were increases, whereas 17 were decreases. The largest price increase was Co-operative Energy's "Co-op Sunshine and Fix April 2018 v2" tariff, which increased by £105.83 (10.6%). In contrast, Economy Energy's "Direct Saver 2017 v3" tariff experienced the biggest price reduction, down £46.59 (5.2%).

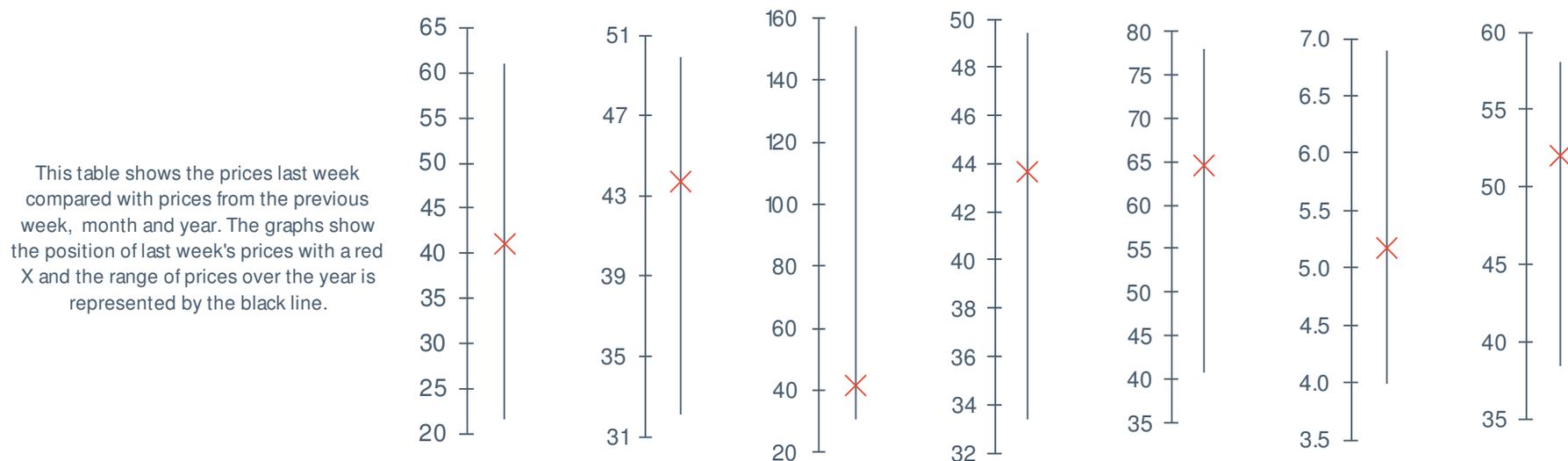
The one-year fixed price shown below (red line) provides a fixed hedging cost for one year from the month after the month in question, based on the forward curve. This measure is used to create a benchmark for fixed tariff offers put into the market by suppliers. The instantaneous price (green line) is representative of the hedging strategies of large suppliers, which typically purchase energy little and often to be consumed in a future period. Therefore, the instantaneous price shows a 'longer-hedged' strategy of buying power up to the current date, whereas the red line shows a 'shorter-hedged' strategy for a 12-month period looking forwards. Over the past two years it has been cheaper to use the shorter-hedged strategy as wholesale power prices have steadily declined. However, since July 2016 the longer-hedged strategy has been cheaper.





Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	17 Mar 17	41.10	43.70	41.75	43.65	64.50	5.17	52.05
Two weeks ago	10 Mar 17	42.30	44.31	43.15	44.00	64.50	5.10	52.39
Last month	17 Feb 17	47.55	46.66	46.25	45.43	67.25	4.88	55.40
Last year	18 Mar 16	29.60	32.61	34.31	33.50	42.00	5.01	41.95
Year-on-year %change		38.9%	34.0%	21.7%	30.3%	53.6%	3.2%	24.1%
Year high		61.00	49.91	157.73	49.45	78.00	6.89	58.04
Year low		21.50	32.11	30.28	33.35	40.80	3.98	38.43





About EDW Technology Limited

EDW has an extensive history of developing, implementing and supporting its 'best of breed' retail electricity software solutions.

In 2000, EDW began building a revolutionary new electricity software platform to support the rigorous demands of the UK's deregulated electricity supply market – a market characterised by rapidly changing government regulation, business processes, market rules, industry dataflows and customer demands. EDW were founded as a provider of high quality, end-to-end IT services and we have remained true to that aim ever since, servicing a range of companies in the energy industry.

For over 16 years, our software product ERS has empowered business electricity suppliers to transform customer experience, improve business efficiency, reduce costs to serve and improve profitability.

EDW has a UK based team of 85 employees working from the EDW offices in Milton Keynes.

Industrial and commercial billing specialists

The industrial and commercial electricity supply market has unique business requirements that need to be serviced with a specialised set of IT system capabilities. Sophisticated business customers are willing to actively engage in the management of their energy accounts and solutions need to provide tools that support enhanced service interaction. EDW has gathered an extensive knowledge of the industrial and commercial market sector that enables the delivery of a powerful set of system capabilities essential to your requirements to service this complex and demanding market sector.

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