



Energy Wholesale Market Review

Week Ending 10th November 2017



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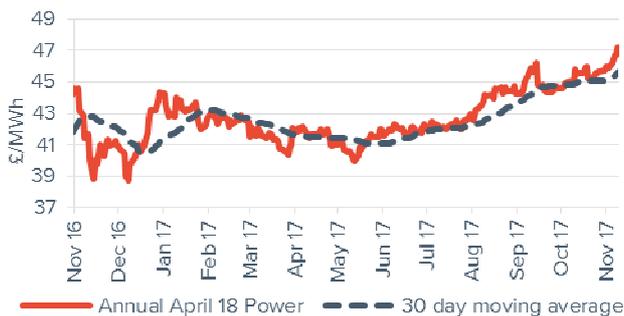
Headlines 10/11/2017

Bullish price movements continued across power, gas and commodity markets this week. The day-ahead baseload power contract leapt 5.1% to £52.0/MWh. This was due to nuclear outages across Great Britain and France, as well as rising coal and gas prices. However, these gains were capped by increased wind generation throughout the week. All seasonal power contracts experienced gains this week. The day-ahead gas contract gained 7.7% to 52.8p/th, with colder temperatures boosting demand for heating. Additionally, nuclear outages increased gas demand for power generation, and continued high exports to Europe boosted near-term prices. All peak power contracts also increased this week, with the day-ahead peak power contract gaining 8.1% to £56.8/MWh. Brent crude oil prices strengthened 2.6% to average \$62.4/bl, up from \$60.8/bl the previous week. On 7 November prices reached a 28-month high of \$64.1/bl, owing to rising tensions between OPEC members Saudi Arabia and Iran concerning the recent conflicts in Yemen. API 2 coal prices experienced an uptick of 0.1% to average \$86.6/t. On 10 November API 2 coal reached \$88.9/t, a fresh four-year high, with news of commencing strike action across South African coal mines. EU ETS carbon prices climbed 2.5% to average €7.6/t, with prices boosted by burgeoning European coal demand. On 6 November prices increased to €7.9/t, a fresh 22-month high.

Baseload electricity

- Baseload power contracts bolstered upwards this week.
- The day-ahead contract leapt 5.1% to £52.0/MWh. This was due to nuclear outages across Great Britain and France, as well as rising coal and gas prices.
- The month-ahead (December) contract expanded 3.2% to £53.3/MWh. The contract is now 13.0% above its level last month (£46.0/MWh).
- The annual April 18 power contract lifted 2.6% to £47.1/MWh, up from £45.6/MWh the previous week.

Annual April contract



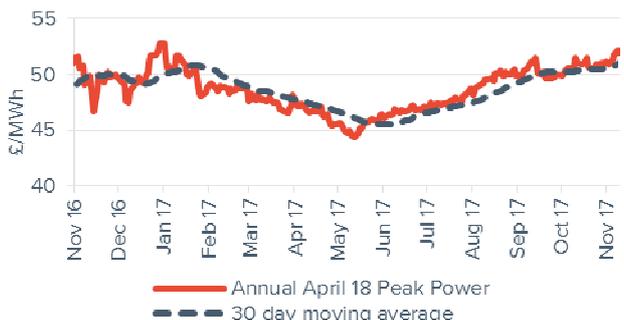
Forward curve comparison



Peak electricity

- All the near-term peak power contracts increased this week.
- Day-ahead peak power gained 8.1% to £56.8/MWh. The contract ended the week £4.8/MWh higher than its baseload counterpart.
- The month-ahead (December) climbed 2.2% to £59.0/MWh. The contract was £7.0/MWh higher than its baseload counterpart.
- Annual April 18 peak power boosted 2.0% to £52.0/MWh. The contract was £4.9/MWh above its baseload power counterpart.

Annual April contract



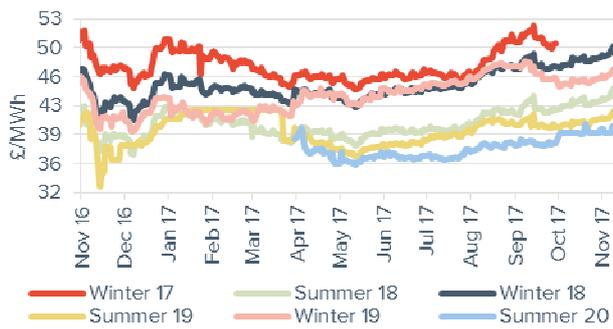
Forward curve comparison



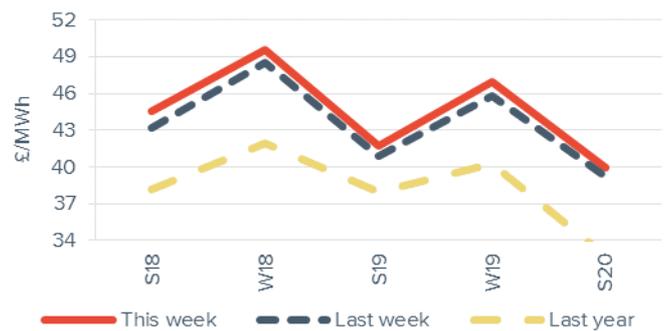


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal power contracts experienced gains this week.
- Summer 18 power rose 3.0% to £44.5/MWh, while winter 18 power boosted 2.3% to £49.6/MWh. The winter 19 power contract went up 2.6% to £47.0/MWh.

- All seasonal peak power contracts also rose this week.
- The summer 18 contract went up 2.6% to £48.0/MWh. Winter 18 grew 1.5% to £56.1/MWh.

Supplier hedging strategies

A number of gas and power contracts hit multi-month highs in September, whilst Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

The annual October 17 gas contract rose 3.8% in September to average 45.8p/th. The annual October 17 baseload power contract gained 3.3% to average £46.4/MWh. Brent crude oil prices climbed 6.6% to average \$55.3/bl. On average, API 2 coal prices jumped 6.3% to \$81.5/t, and EU ETS carbon prices increased 19.7% to €7.6/t.

During September, the price changes seen to fixed domestic dual-fuel tariffs were predominantly increases. 36 of the price changes were increases, whereas 10 were decreases. The largest price increase was Avro Energy's "Simple and Supreme" tariff, which grew by 9.6% to £938.3/year. In contrast, the largest price decrease was Avro Energy's "Simple and Connected" tariff, which fell by 10.2% to £842.9/year.

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.

Between the start of 2015 and July 2016, it was cheaper to use the shorter-hedged strategy as wholesale power prices have steadily declined. Since July 2016, the longer-hedged strategy has been cheaper, however both strategies are converging and close to overlapping again, which can be seen in the graph.

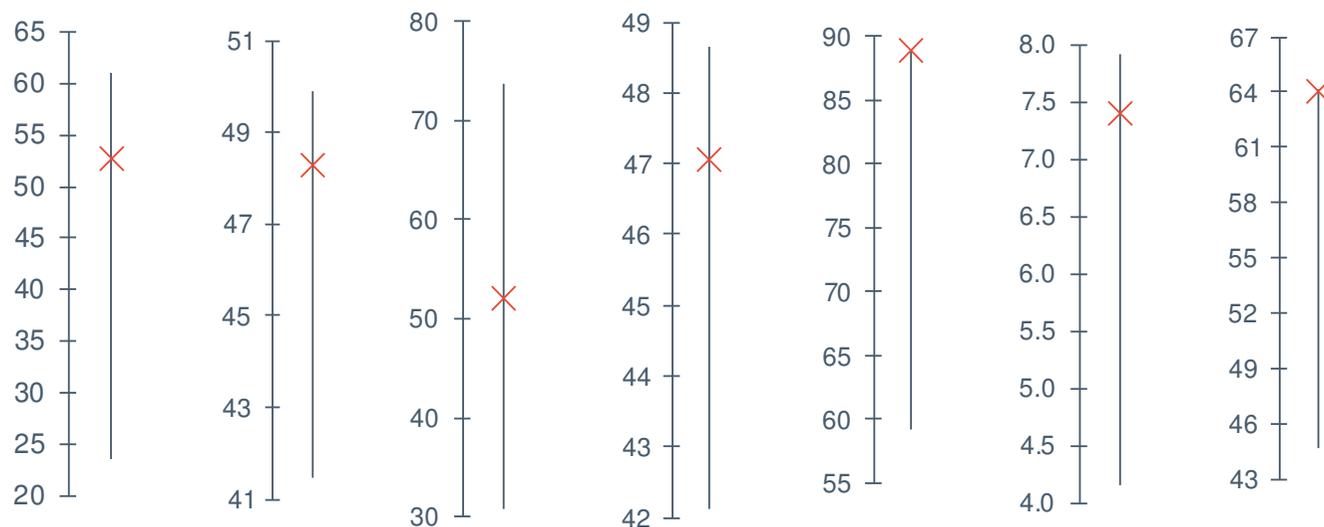




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	10 Nov 17	52.75	48.28	52.00	47.05	88.90	7.39	64.06
Last week	3 Nov 17	49.00	46.36	49.50	45.85	85.80	7.63	60.78
Four weeks ago	13 Oct 17	43.85	46.34	46.00	45.58	83.40	7.30	57.40
Last year	11 Nov 16	48.05	43.94	72.00	40.05	75.00	5.82	45.35
Year-on-year %change		9.8%	9.9%	-27.8%	17.5%	18.5%	27.0%	41.3%
Year high		61.00	49.91	73.75	48.65	88.90	7.91	64.12
Year low		23.50	41.47	30.75	42.13	59.15	4.15	44.64

This table shows the prices last week compared with prices from the previous week, month and year. The graphs show the position of last week's prices with a red X and the range of prices over the year is represented by the black line.





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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