



Energy Wholesale Market Review

Week Ending 16th February 2018



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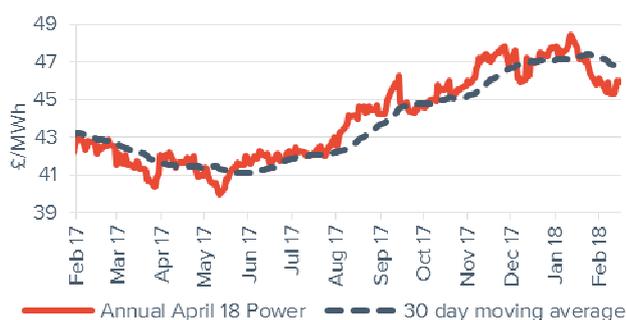
Headlines 16/02/2018

The majority of power and gas contracts increased this week, with seasonal contracts recovering from the multi-month lows experienced the prior week. Commodity prices experienced mixed movements. Day-ahead baseload power rose 2.5% to £49.2/MWh, with lower wind generation forecast for Monday (19 February). The day-ahead contract was relatively stable this week with just a £0.90/MWh difference between the highest and lowest price. Day-ahead gas slipped 0.4% to 50.2p/th. Prices decreased throughout the week amid rising temperatures and lower gas demand for both power generation and residential heating. Summer 18 power gained 1.5% to £43.1/MWh and the winter 18 contract lifted 1.2% to £48.8/MWh, following their gas counterparts. Summer 18 gas lifted 1.9% to 42.2p/th and the winter 18 contract gained 0.8% to 49.8p/th. Brent crude oil prices lost 4.1% to average \$63.6/bl throughout the week. On Wednesday, Brent crude fell to a nine-week low of \$62.4/bl. Continued concerns over rising US oil output and Baker Hughes data showing the US rig count was at a three-year high pushed prices lower. API 2 coal prices continued to fall this week, dropping 1.4% to average \$78.9/t. However, prices did experience a week-on-week gain, reaching \$80.5/t on Friday, up from \$77.0/t last Friday. EU ETS carbon prices gained 7.4% to average €9.6/t this week.

Baseload electricity

- All near-term baseload power contracts increased this week.
- Day-ahead baseload power rose 2.5% to £49.2/MWh, with lower wind generation forecast week-on-week.
- The month-ahead (March) contract climbed 2.3% to £49.4/MWh. The contract is now 0.9% above its level a month ago (£48.9/MWh).
- The annual April 18 power contract went up 1.4% to £46.0/MWh.

Annual April contract



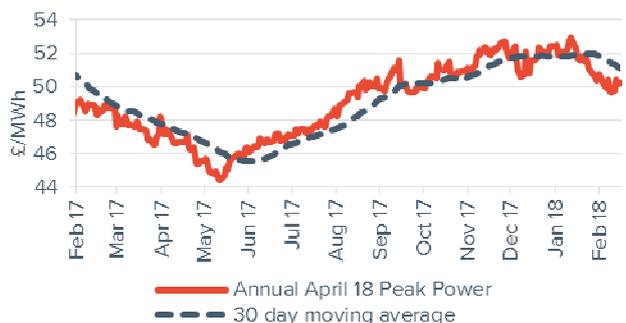
Forward curve comparison



Peak electricity

- All near-term peak power contracts moved higher this week, mirroring their baseload counterparts.
- Day-ahead peak power rose 2.1% to £52.9/MWh. The contract ended the week £3.7/MWh higher than its baseload counterpart.
- The month-ahead (March) contract gained 2.0% to £51.8/MWh. The contract finished the week £2.4/MWh higher than its baseload counterpart.
- Annual April 18 peak power edged 1.1% higher to £50.2/MWh. The contract was £4.3/MWh above its baseload power counterpart.

Annual April contract



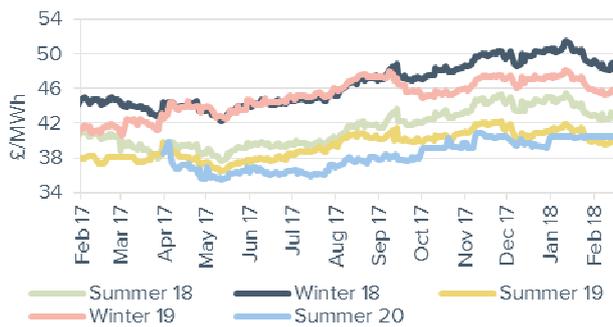
Forward curve comparison



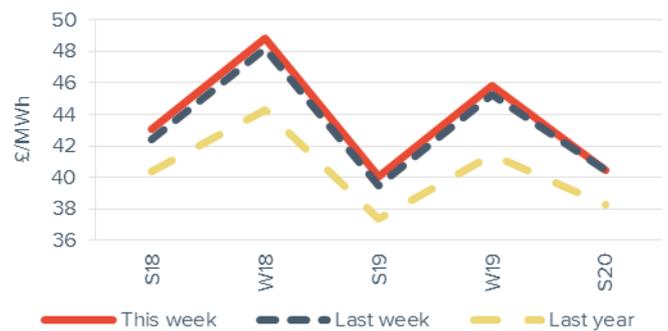


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Most seasonal baseload power prices moved higher this week, after dropping to multi-month lows last week.
- Summer 18 power gained 1.5% to £43.1/MWh and the winter 18 contract lifted 1.2% to £48.8/MWh.
- The majority of seasonal peak power contracts increased this week.
- The summer 18 contract lifted 1.2% to £46.1/MWh. Winter 18 peak power climbed 1.0% to £54.4/MWh.

Supplier hedging strategies

Throughout December near-term power and gas contracts experienced gains, with day-ahead gas reaching a four-year high, while its power equivalent hit a six-month high. Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

The annual April 18 gas rose 0.4% to 53.4p/th throughout December. Meanwhile, the annual April 18 power contract dipped 0.2% to £46.9/MWh. Brent crude oil prices lifted 1.5% to average \$63.7/bl throughout the month, while API 2 coal prices lifted 3.6% to average \$88.2/t. After six bullish months of growth EU ETS carbon prices declined 2.2% to average €7.4/t.

During December, the price changes seen to fixed domestic dual-fuel tariffs were predominantly gains. 26 of the price changes were increases, whereas eight were decreases. The highest price increase was Scottish Power's "Help Beat Cancer Fixed Price Energy Jan20v2 Online" tariff which grew 20.3% to £946/year. In contrast, the largest price decrease was also Scottish Power's, their "Online Fixed Saver January 2019" tariff, which fell by 4.8% to £1,022/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.

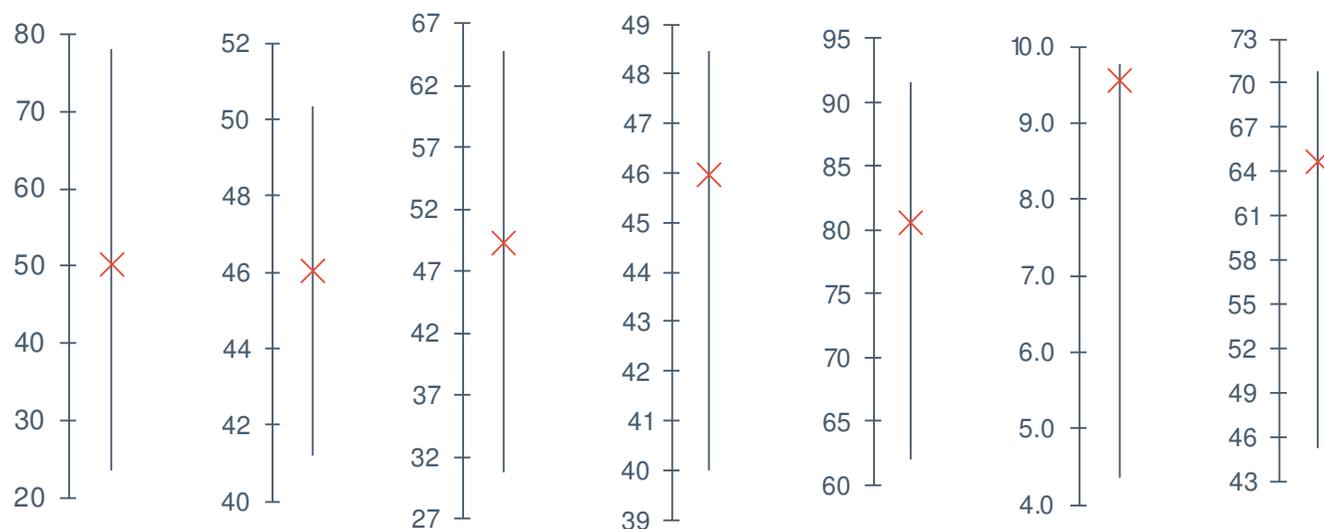




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	16 Feb 18	50.20	46.04	49.20	45.95	80.50	9.56	64.65
Last Week	9 Feb 18	50.40	45.45	48.00	45.33	77.00	9.09	64.48
Four weeks ago	19 Jan 18	50.00	48.18	48.95	47.33	91.00	8.62	69.73
Last year	17 Feb 17	47.55	45.40	46.25	42.33	67.25	4.88	55.40
Year-on-year %change		5.6%	1.4%	6.4%	8.6%	19.7%	95.9%	16.7%
Year high		78.00	50.32	64.75	48.45	91.50	9.78	70.79
Year low		23.50	41.17	30.75	39.98	62.00	4.34	45.15

This table shows the prices this week compared with prices from the last week, month and year. The graphs show the position of this 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 17 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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