



Energy Wholesale Market Review

Week Ending 20th April 2018



edw technology

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



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Headlines 20/04/2018

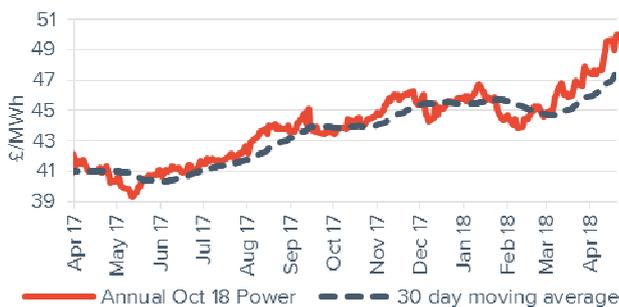
This week was dominated by bullish movements in most wholesale contracts, as gas, power and commodity prices reached fresh multi-year highs. Day-ahead gas was the only gas contract to fall, dropping 2.3% week-on-week to 51.8p/th. The fall was driven by lower demand caused by higher than average temperatures across the week, as well as high levels of renewables output. May 18 gas reached its highest price since February 2017, hitting 52.2p/th.

Nearly all peak power contracts experienced growth this week. Day-ahead peak power fell 2.5% to £52.2/MWh from the previous week. Seasonal peak power contracts experienced an average growth of 0.4% from the previous week, with only summer 20 seeing losses (down 0.3%). Day-ahead baseload power slipped 2.0% to £49.8/MWh. Prices were weighed on by increased wind and solar generation, which, in combination with lower demand, led to a UK record of 55 hours without coal-fired power plant generation. Brent crude oil gained 2.2% to average \$72.0/bl, up from \$70.5bl. Bullish behaviour led to oil hitting a fresh three-and-a-half year high on 19 April at \$74.75/t. Bullish momentum has continued to be driven by the OPEC supply cap. EU ETS carbon prices reached a fresh seven-year high on 19 April, peaking at €14.2/t but averaged €13.6/t across the week. Prices fell to €13.1/t on 20 April, down 5.9% week-on-week, following profit-taking after the fresh high.

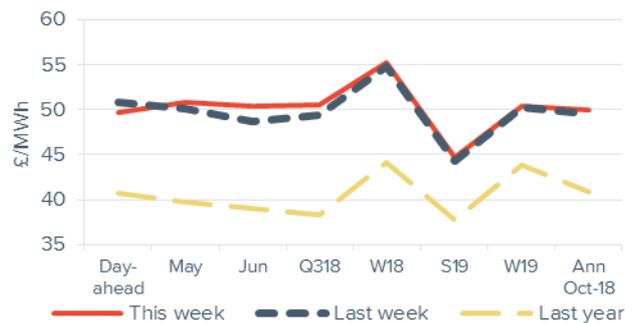
Baseload electricity

- The majority of near-term baseload power contracts rose this week.
- An exception was day-ahead power, which dropped 2.0% to £59.8/MWh, down from £50.8/MWh the previous week.
- Spot power contracts responded to increased renewables generation which saw both solar and wind output increasing from the previous week.
- The annual October 18 power contract increased 0.8% to £50.0/MWh (up from £49.6/MWh).

Annual October contract



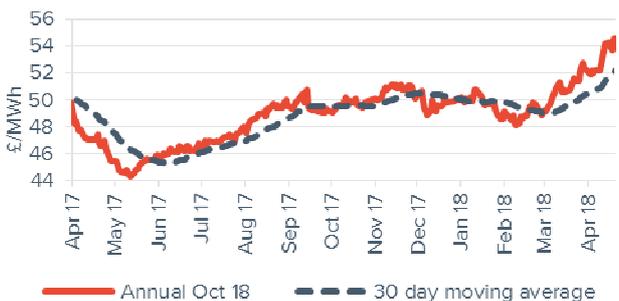
Forward curve comparison



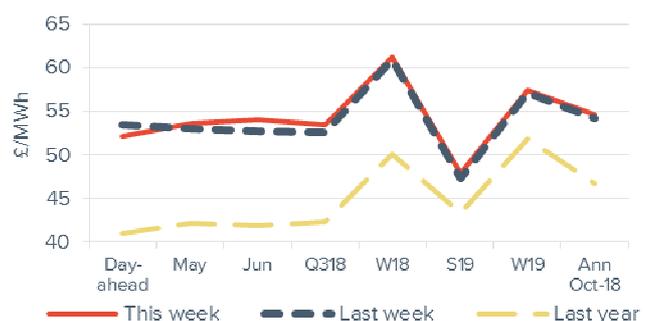
Peak electricity

- Most near-term peak power contracts experienced growth this week.
- Day-ahead peak power slipped £1.4/MWh (2.5%) to £52.2/MWh from the previous week. This is £2.4/MWh higher than its baseload counterpart.
- The June power contract climbed 2.6% to £54.0/MWh, finishing the week £3.6/MWh higher than baseload month-ahead.
- Annual October 18 peak power lifted 0.7% to £54.6/MWh. The contract was £4.6/MWh above its baseload power counterpart.

Annual April contract



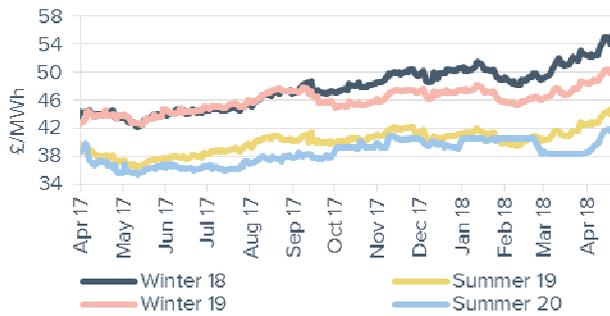
Forward curve comparison



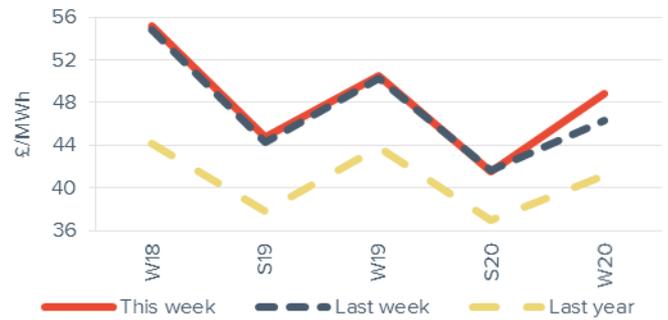


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Winter 18 power continued to climb, reaching a three-year price high at £55.2/MWh, an increase of 0.6% from the previous week.
- Summer 19 power rose to its highest price since April 2015, climbing to £44.7/MWh (up from £37.8/MWh in the same period last year).
- The majority seasonal peak power contracts grew this week, averaging an increase of 0.4% from the previous week.
- Summer 20 was the exception, dropping 0.3% to £46.5/MWh, losing £0.3/MWh from the previous week.

Supplier hedging strategies

Throughout February near-term power and gas contracts experienced robust growth, as day-ahead gas reached a five-year high of 105.0p/th, while the power equivalent hit an 18-month high (£83.5/MWh). Brent crude oil and API 2 coal prices experienced losses last month, while EU ETS carbon prices reached a six-year high.

The annual April-18 gas contract decreased by 4.2% to average 46.3p/th. Meanwhile, the annual April 18 power contract slipped 2.5% to £46.1/MWh. EU ETS carbon prices extended from the previous month's gains, growing 12.5% to average €9.4/t. On 28 February prices reached €10.1/t, a six-year high. API 2 coal prices dropped 10.0% to average \$80.7/t in February, while Brent crude oil prices declined 4.5% to average \$65.7/bl.

The price changes seen to fixed domestic dual-fuel tariffs were mixed, with a slight bias towards losses. 26 of the price changes were decreases, whereas 23 were gains. The highest price increase was Good Energy's "Good Energy & Gas+" tariff which grew 6.9% to £1,248.0/year. In contrast, the largest price decrease was Ovo Energy's "Better Energy (all online)" tariff, which fell 13.2% to £911.0/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.

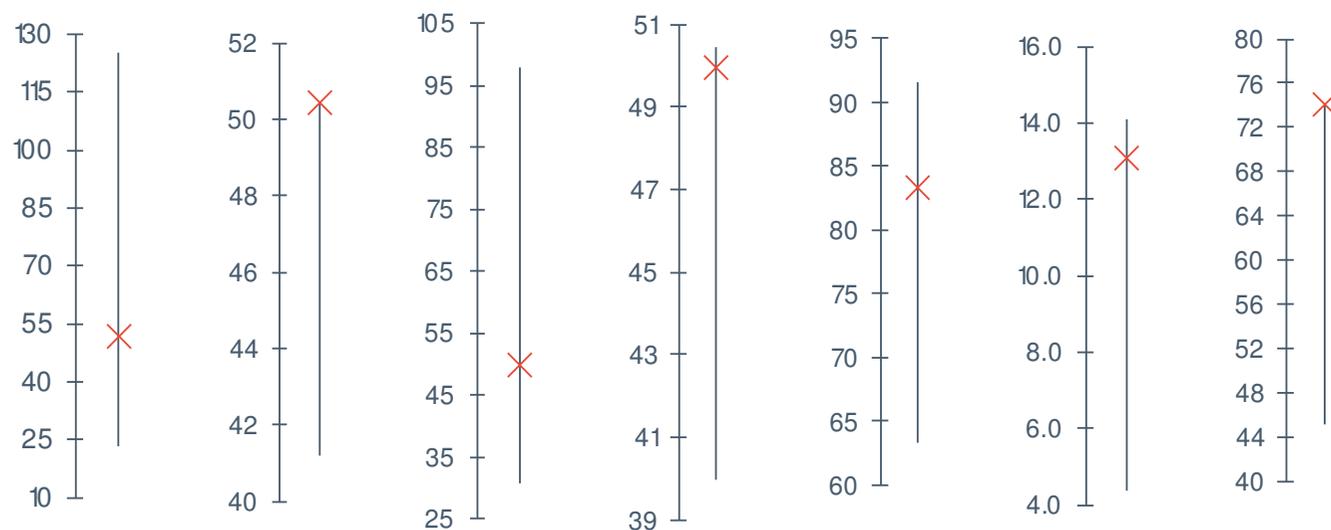




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	20 Apr 18	51.80	50.41	49.75	49.96	83.25	13.09	73.98
Two weeks ago	13 Apr 18	53.00	48.95	50.75	49.56	82.20	13.91	72.28
Four weeks ago	23 Mar 18	53.60	46.29	51.80	46.76	74.25	12.42	69.00
Last year	21 Apr 17	39.50	43.16	40.75	40.93	67.00	4.73	52.97
Year-on-year %change		31.1%	16.8%	22.1%	22.1%	24.3%	176.7%	39.7%
Year high		125.00	50.40	98.00	50.46	91.50	14.10	74.08
Year low		23.50	41.17	30.75	39.98	63.25	4.34	45.15

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 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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com

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