

Energy Wholesale Market Review

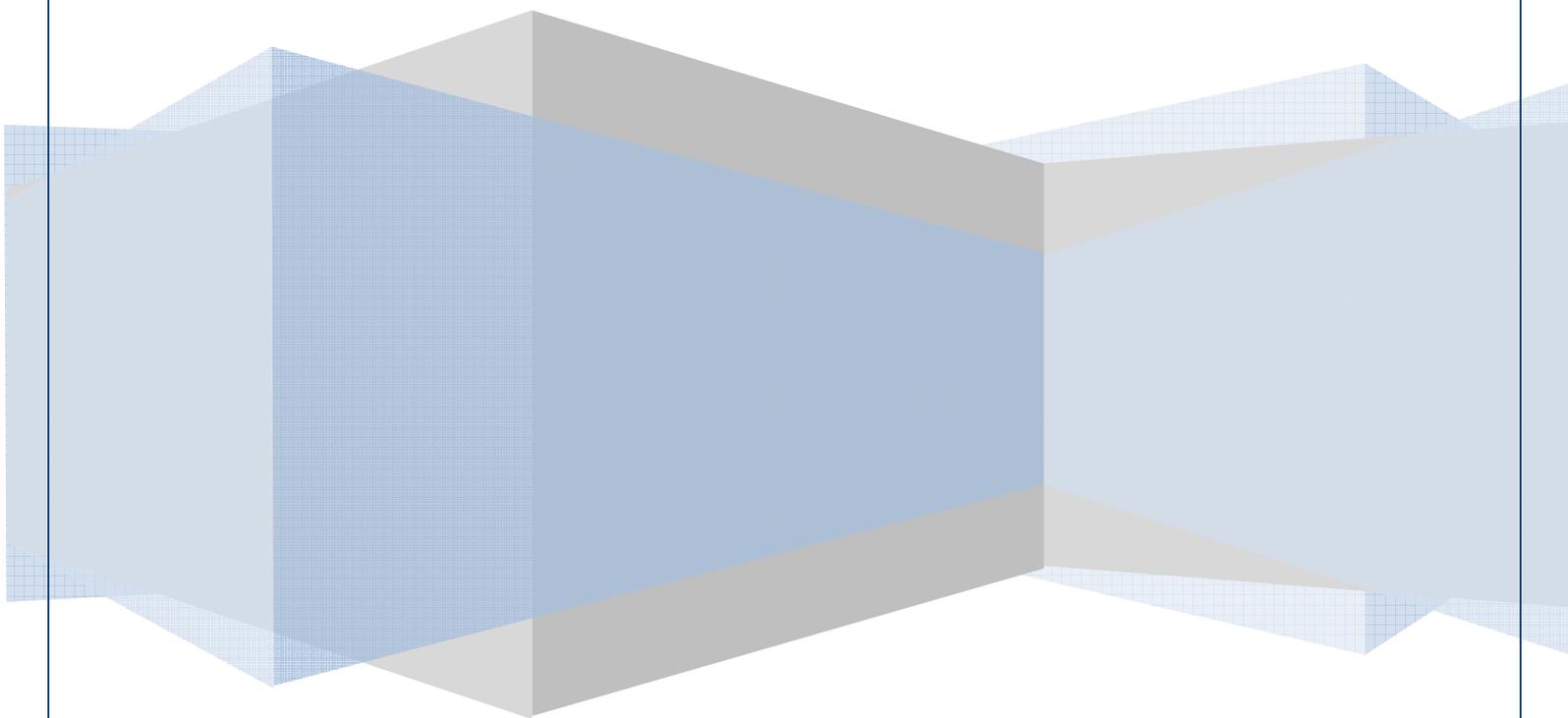
Week Ending 21st September 2018



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 21/09/2018

All gas and power contracts recovered the previous week's decline, rising as wind generation is forecast to fall and demand expected to rise early last week. Despite EU ETS carbon experiencing its first weekly average decline in 13 weeks, power prices continued to be supported by commodity markets with gains in Brent crude oil and API 2 coal prices. Day-ahead gas prices rose 6.3% to 76.0p/th despite the gas system being oversupplied for much of last week. Day-ahead power followed its gas counterpart higher, up 5.2% to end the week at £70.0/MWh. All seasonal gas and power contracts increased week-on-week. Seasonal gas contracts were up 4.0% on average with both winter 18 and summer 19 gas gaining 4.2% to 79.8p/th and 63.7p/th respectively. Seasonal power contracts increased 2.1% on average, with winter 18 power up 3.2% to £73.7/MWh. The weekly average Brent crude oil price rose for the fifth consecutive week, gaining 1.2% to average \$79.1/bl. The market has been looking to the OPEC and non-OPEC coalition meeting in Algiers on 22-23 September, which aims to discuss how the group will mitigate the losses from Iran. API 2 coal rose 0.9% to average \$96.7/t. Prices reached a fresh five-year high at the end of the week, hitting \$98.4/t. Demand has grown in Europe following the recent record highs in wholesale gas prices across the continent. Average EU ETS carbon prices dropped 8.7% to €21.2/t, down from €23.2/t the previous week.

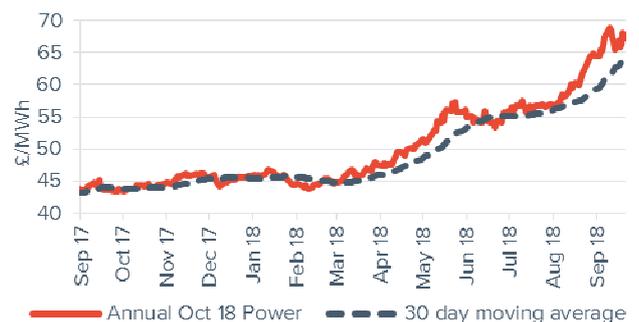
Baseload electricity

- Day-ahead power increased 5.2% week-on-week to £70.0/MWh.
- Prices fell to a one-month low of £61.0/MWh on 18 September amid forecasts of higher wind generation.
- October 18 and November 18 power rose, gaining 4.3% and 3.1% to £70.1/MWh and £73.6/MWh respectively.
- The annual October 18 power contract gained 2.7% to end the week at £67.2/MWh (up from £65.4/MWh).
- The contract is £4.6/MWh (7.3%) higher than the same period last month, and 54.5% above the same time last year when it was £43.5/MWh.

Forward curve comparison



Annual October contract



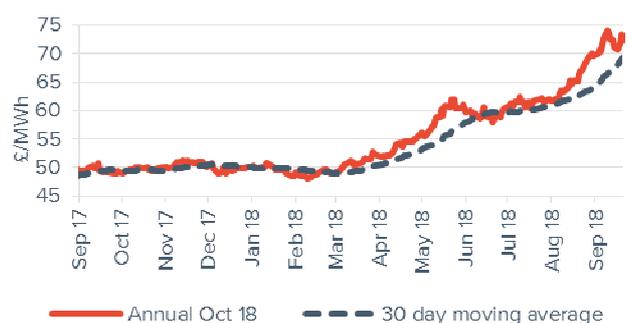
Peak electricity

- Day-ahead peak power reversed the previous week's decline, rising 3.5% week-on-week to £73.0/MWh. This was £3.5/MWh above its baseload counterpart.
- Month-ahead peak power went up 4.4% to end the week at £75.4/MWh, £5.3/MWh above its baseload counterpart.
- Week-on-week, annual October 18 peak power rose 1.8% to £72.4/MWh. The contract is £5.2/MWh above its baseload power counterpart.
- The contract was 6.5% above its price last month (£68.0/MWh) and 47.3% higher than its value last year (£49.1/MWh).

Forward curve comparison



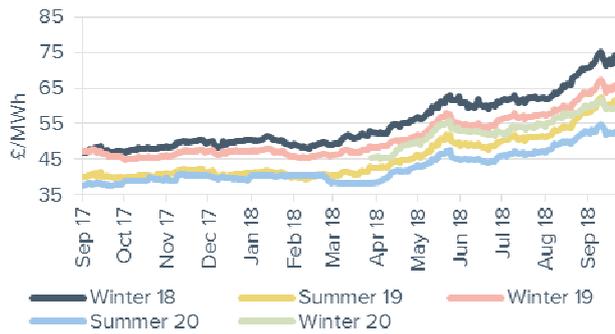
Annual October contract



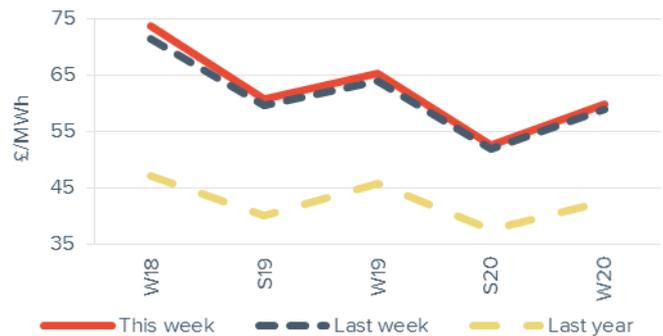


Seasonal power prices

Seasonal baseload power contracts



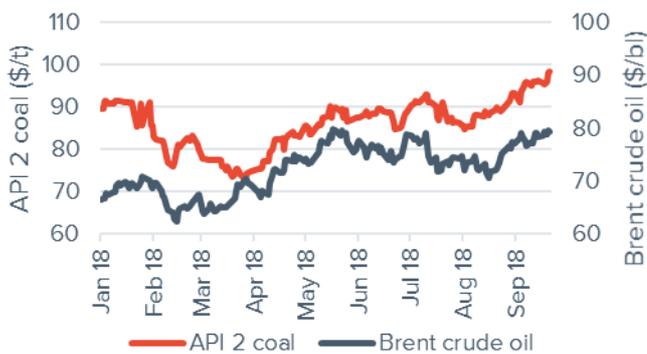
Seasonal baseload power curve



- Week-on-week, seasonal contracts were up 2.1% on average. Winter 18 power ended the week at £73.7/MWh (up 3.2% from the previous week).
- All seasonal peak power contracts increased last week, up 2.1% on average. Prices followed an increase in gas prices

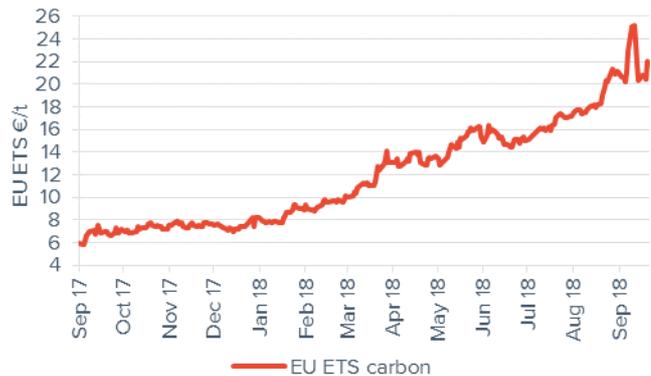
Commodity price movements

Oil and coal



- The weekly average Brent crude oil price rose for the fifth consecutive week, gaining 1.2% to average \$79.1/bbl, up from \$78.2/bbl.
- Prices have been supported by the upcoming US sanctions on Iran.
- The market has also been looking at the OPEC and non-OPEC coalition meeting in Algiers on 22-23 September, which aims to discuss how the group will mitigate the losses from Iran.
- API 2 coal rose 0.9% to average \$96.7/t last week.
- Demand has grown in Europe following the recent record highs in wholesale gas prices across the continent, resulting in record high stockpiles at the Amsterdam-Rotterdam-Antwerp hub.

Carbon



- Average EU ETS carbon prices fell for the first time in 13 weeks, dropping 8.7% to €21.2/t, down from €23.2/t the previous week.
- Despite carbon prices having more than tripled in the last year, experts believe the current price is still too low to encourage a rapid switch from coal to gas.
- Secretary general of gas association Cedigaz, Geoffroy Hureau, said last week that a carbon price of between €22.0-€45.0/t is required to encourage the switch to gas, and anything higher could drive a preference towards renewables.
- A third British EUA auction failed on 19 September following a lack of successful bidders as 12 bidders placed bids for 5.0mn of the 5.7mn EUAs available.

Supplier tariff movements

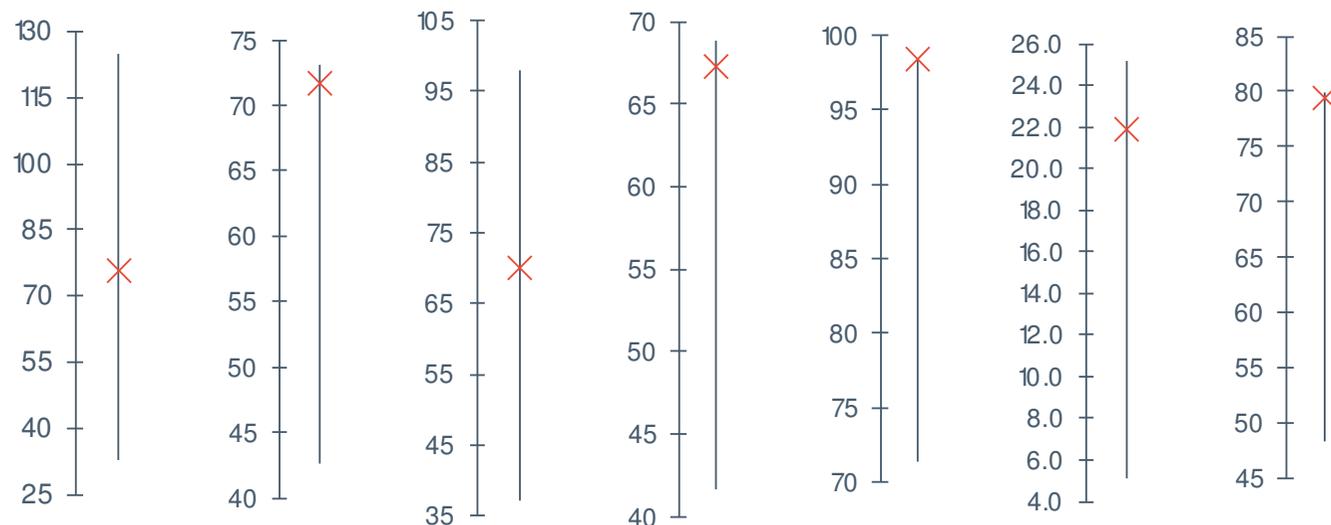
In August, four suppliers moved down a band after reducing the price of their cheapest tariff, while 21 moved up a banding. Of the four decreases, three came from Ovo Energy, Co-operative Energy, and GB Energy (still operating as a separate brand from Co-operative energy) reducing their fixed offers, with ENGIE launching a new EV Home fixed tariff at £980/year. The largest price increase came from Toto Energy, after the removal of its variable Smart Meter Saver tariff which had been priced at £826/year on average. The supplier's cheapest tariff in August was priced at £1,049/year for the average consumer, an increase of £223/year.



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	21 Sep 18	76.00	71.72	70.00	67.23	98.40	21.85	79.43
Two weeks ago	14 Sep 18	71.50	68.84	66.55	65.43	96.30	20.30	78.24
Four weeks ago	24 Aug 18	66.50	63.89	65.25	62.66	89.25	20.23	75.27
Last year	22 Sep 17	44.40	44.12	43.50	43.50	81.70	6.60	56.44
Year-on-year %change		71.2%	62.6%	60.9%	54.5%	20.4%	231.1%	40.7%
Year high		125.00	73.03	98.00	68.86	98.40	25.16	79.83
Year low		33.00	42.56	37.10	41.63	71.40	5.10	48.18

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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