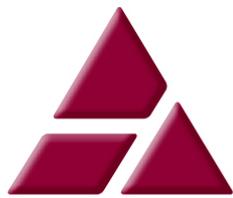


# Energy Wholesale Market Review

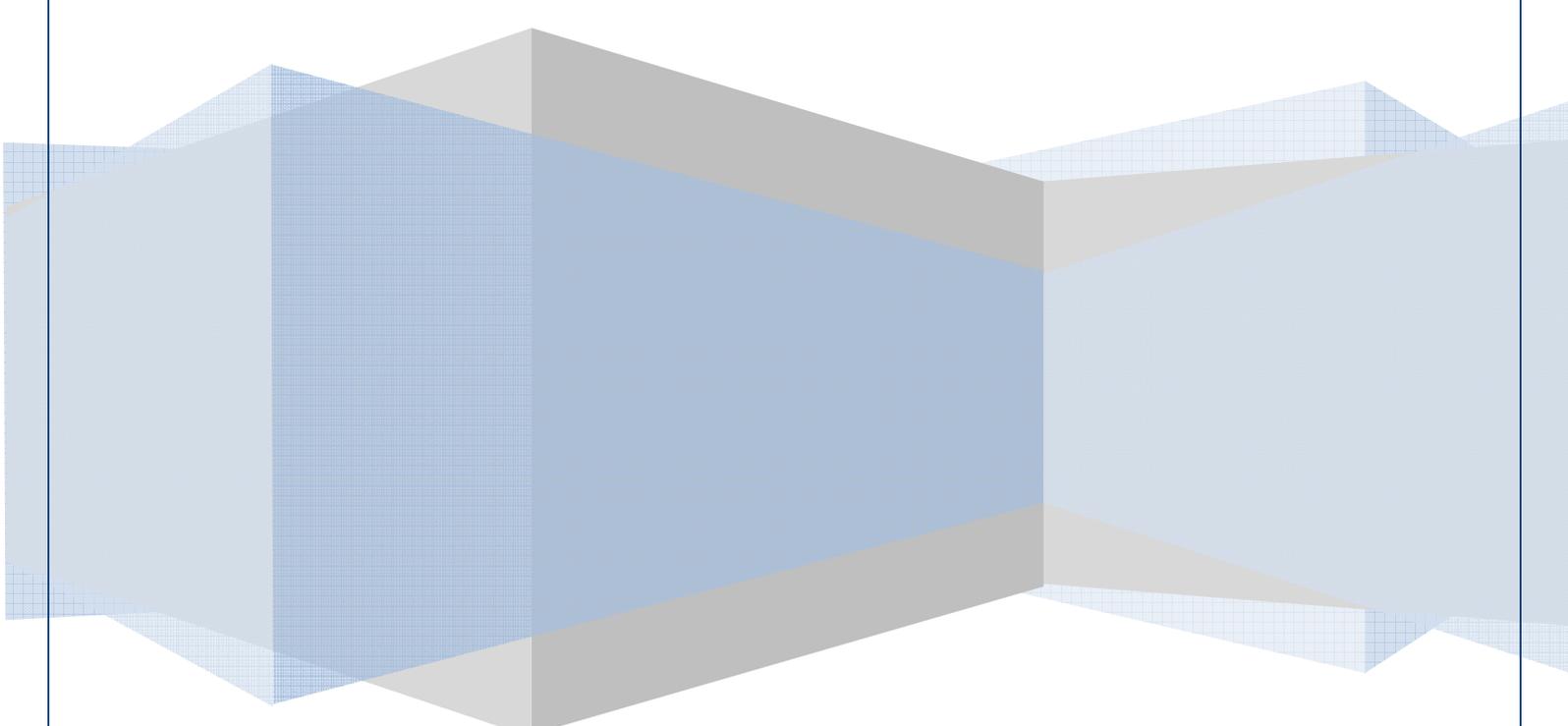
Week Ending 5<sup>th</sup> July 2019



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## Headlines 05/07/2019

This week, the majority of baseload power and gas contracts moved lower. However, near-term contracts including day-ahead and month-ahead gas and power contracts rose from last week, with tighter gas supplies and lower wind generation the main drivers. The day-ahead contract was up 12.6% to end the week at £40.7/MWh, a two-week high, while day-ahead gas was up 6.8% to end the week at 27.4p/th. Seasonal gas contracts were pressured by a fall in Brent crude oil prices, which declined despite news that OPEC would extend production cuts until March 2020. Concerns of weaker economic growth continue to dampen oil demand, and the market views OPEC's decision as inadequate to balance oversupply. On average seasonal contracts were 1.5% lower week-on-week, pressured by a decline in oil prices. Winter 19 gas dropped 2.8% lower, ending the week at 48.4p/th. The fall in seasonal gas contracts fed through into seasonal baseload power contracts, which were also down 1.5% week-on-week. Winter 19 power fell 2.2% to £54./MWh, slightly lower than the same time year (£57.1/MWh). Brent crude oil fell for the first time in five weeks, down 2.0% to average \$64.4/bl. API 2 coal prices lifted 0.8% to average \$64.9/t, ending the week at a six-week high of \$67.0/t following a pickup in coal demand from India due to the arrival of a monsoon. EU ETS carbon prices were unchanged, averaging €26.6/t and ended the week below €26.0/t, a two-week low.

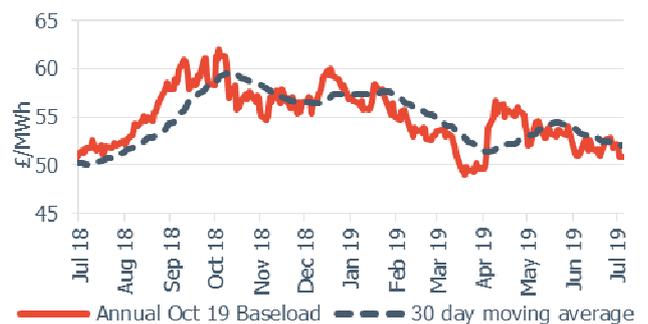
### Baseload electricity

- The day-ahead contract was 12.6% higher at £40.7/MWh, a two-week high. Day-ahead power is 28.5% lower than the same time last year (£56.9/MWh).
- Month-ahead (August) power rose 1.3% to end the week at £38.1/MWh, while September 19 power slipped 0.3% to end the week at £41.5/MWh.
- Annual October 19 power fell 2.0% week-on-week to £50.8/MWh.
- The contract is 1.8% lower than the same time last month (£51.7/MWh), and 1.9% lower than the same time last year (£51.8/MWh).

Forward curve comparison



Annual October contract



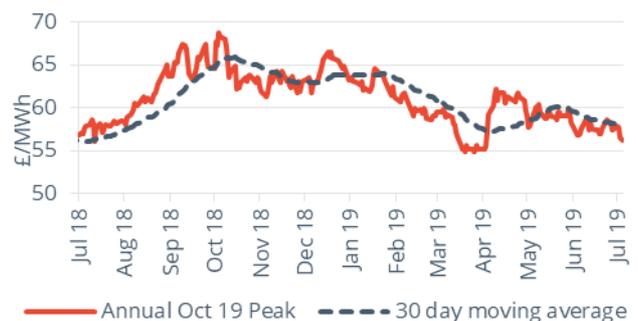
### Peak electricity

- Day-ahead peak power jumped 17.8% to £44.8/MWh, £4.1/MWh above its baseload counterpart.
- Day-ahead peak power is 26.9% lower than the same time last year when it was £61.3/MWh.
- August 19 peak power lifted 0.4% to end the week at £41.1/MWh.
- Annual October 19 peak power dropped 2.1% to £56.3/MWh, £5.5/MWh above its baseload power counterpart.
- The contract is 2.2% below its value this time last month (£57.5/MWh), and 2.8% lower than the same time last year when it was £57.9/MWh.

Forward curve comparison



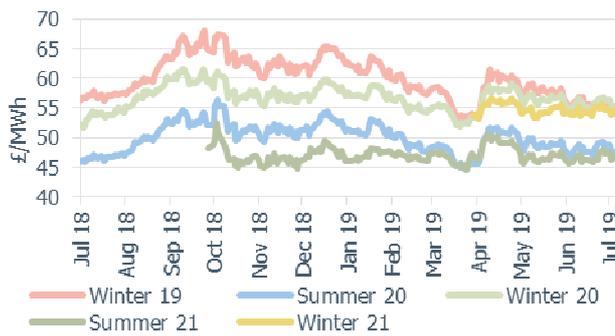
Annual October contract



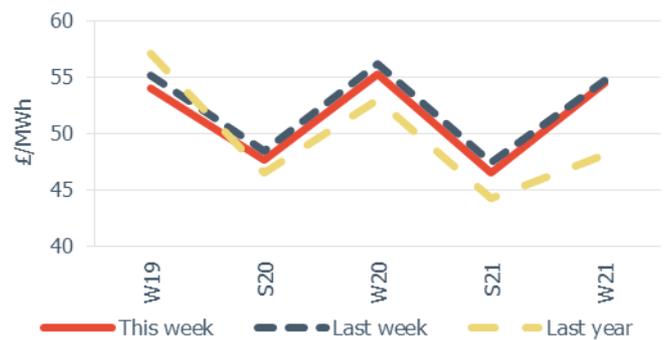


## Seasonal power prices

### Seasonal baseload power contracts



### Seasonal baseload power curve



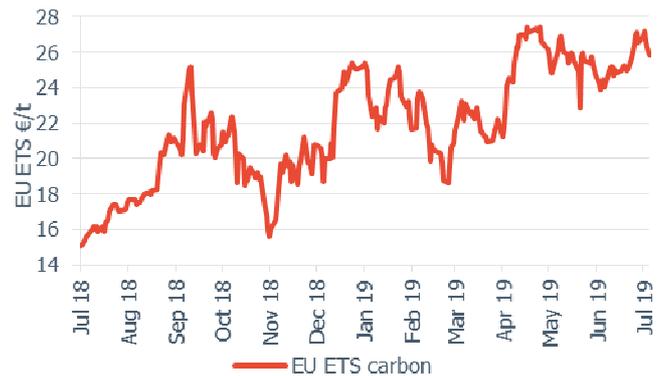
- On average, seasonal baseload power contracts were down 1.5%, mirroring their gas counterparts.
- Winter 19 power fell 2.2% to £54.0/MWh, a three-month low.
- Summer 20 power decreased 1.7% to £47.6/MWh.
- Seasonal peak power contracts dropped 1.7% on average.
- Winter 19 peak power decreased 2.8% to end the week at £60.1/MWh, £6.1/MWh below its baseload counterpart.

## Commodity price movements

### Oil and coal



### Carbon



- Brent crude oil fell for the first time in five weeks, down 2.0% to average \$64.4/bbl.
- OPEC's decision on 1 July to extend production cuts until March 2020 was expected to support oil prices last week. However, fears of an economic slowdown have offset concerns of falling supplies and growing tensions in the Middle East.
- API 2 coal prices lifted 0.8% to average \$64.9/t, ending the week at a six-week high of \$67.0/t following a pickup in coal demand from India due to the arrival of a monsoon.
- However, coal demand in Germany in H1 19 dropped from H1 18 as total coal-fired power generation between January and June fell 26% year-on-year to 26.1TWh.
- EU ETS carbon prices were unchanged, averaging €26.6/t.
- Prices ended the week below €26.0/t for the first time since 24 June.
- A total of 18mn EUAs were available to auction last week, the highest this year as volumes from cancelled auctions in June were available, providing pressure on EU ETS carbon prices. However, auction volumes will be halved in August, supporting prices as market participants stockpile EUAs before next month.
- In Q3 19, EUAs are expected between €24-30/t, with Reuters analysts predicting an average of €27/t in the period. Support will come from lower auction volumes in August and ongoing uncertainty around Brexit, however as the Brexit deadline of 31 October approaches, pressure on carbon prices is likely.

## Supplier tariff movements

In May, 19 suppliers decreased the price of their cheapest tariff or launched new cheaper tariffs, while four suppliers increased the price of their cheapest available tariff. E.ON UK launched a new Fix Online Exclusive tariff priced £114/year lower at £943/year on average, while EDF Energy launched its Energy Online Exclusive Jul21 tariff priced £155/year lower at £999/year on average and Scottish Power launched a new version of its Super Saver tariff priced £107/year lower at £1,066/year on average.



## 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             | 5 Jul 19  | 27.35      | 45.92      | 40.65               | 50.78      | 67.00  | 25.84  | 63.58       |
| Two weeks ago         | 28 Jun 19 | 25.60      | 46.92      | 36.10               | 51.80      | 63.75  | 26.57  | 66.53       |
| Four weeks ago        | 7 Jun 19  | 28.55      | 48.34      | 39.25               | 51.74      | 65.85  | 24.33  | 62.50       |
| Last year             | 6 Jul 18  | 57.75      | 53.04      | 56.85               | 51.76      | 91.00  | 15.63  | 77.14       |
| Year-on-year % change |           | -52.6%     | -13.4%     | -28.5%              | -1.9%      | -26.4% | 65.3%  | -17.6%      |
| Year high             |           | 79.75      | 65.85      | 73.00               | 69.61      | 100.15 | 27.43  | 86.12       |
| Year low              |           | 25.15      | 45.50      | 35.60               | 48.18      | 62.75  | 15.60  | 53.82       |

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 18 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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