

Energy Wholesale Market Review

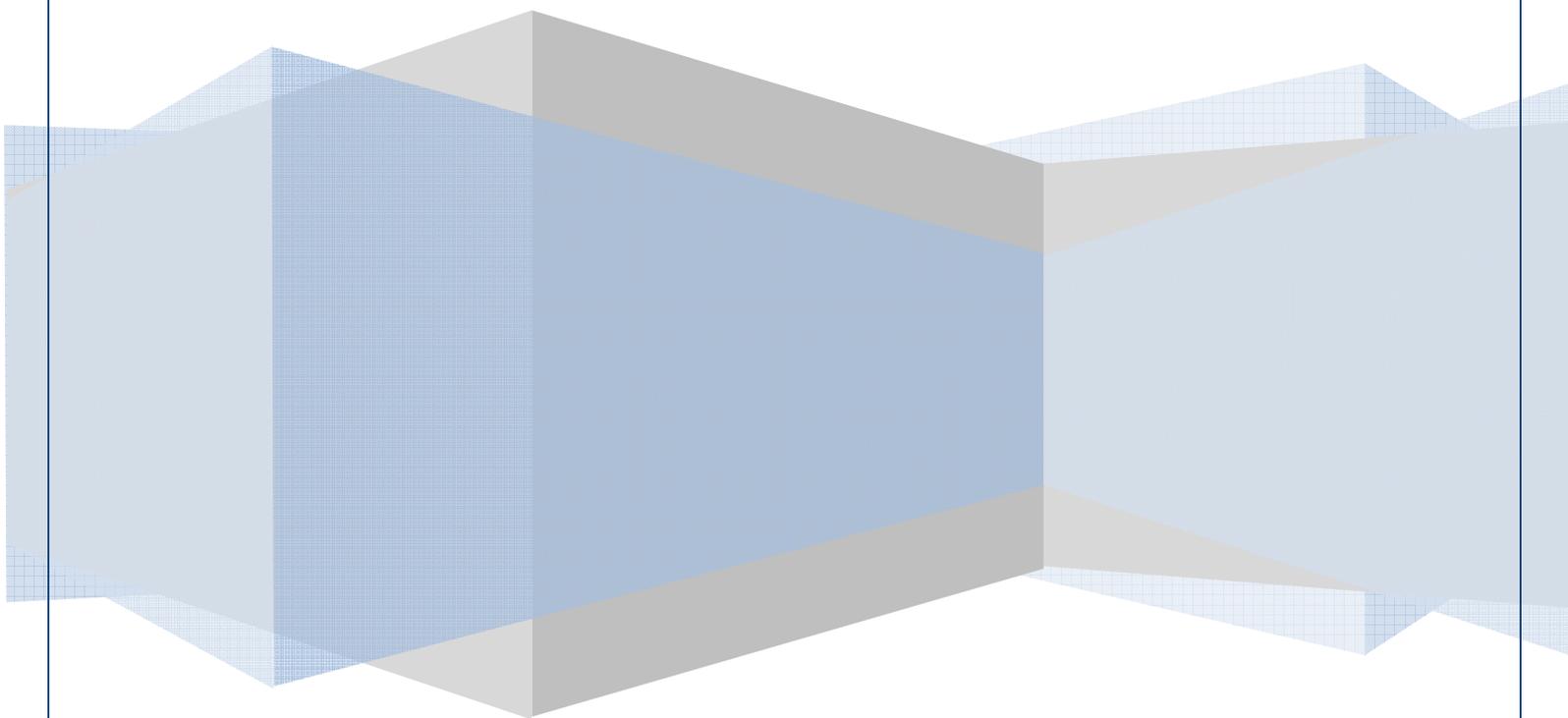
Week Ending 23rd August 2019



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Headlines 23/08/2019

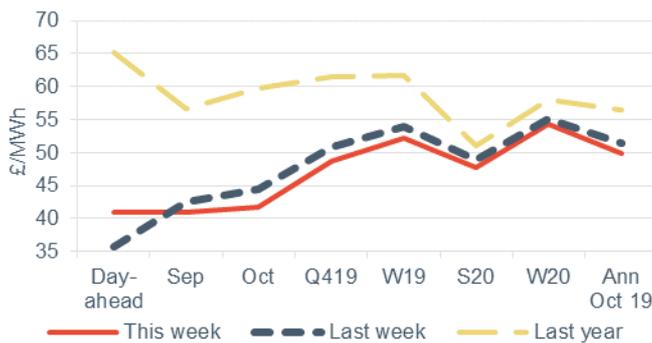
The majority of baseload power and gas contracts fell this week, with winter 19 power dropping to £52.1/MWh, the lowest since 4 May 2018, while winter 19 gas ended the week at 46.8p/th, the lowest since 2 August 2017.

However, day-ahead power and gas contracts rose, with the former up 14.8% to end the week at £41.0/MWh, mirroring its gas counterpart which gained 7.3% to 29.3p/th. Day-ahead gas was supported by the extension of the unplanned outage at Culzean until 24 August, while the start of maintenance at Norwegian gas fields over the bank holiday weekend added further support. September and October 19 gas contracts both fell, down 4.4% and 9.5% to 30.3p/th and 32.1p/th respectively. Forecasts of above normal level temperatures in September have pressured the month-ahead gas contract, offsetting concerns of tighter supplies following maintenance in Norway. September and October 19 power contracts were 3.8% and 6.1% lower at £40.9/MWh and £41.8/MWh respectively. Brent crude oil found support from another decline in US crude stocks and rose 1.7% to average \$59.9/bl, while API 2 coal and EU ETS carbon fell to two-month lows of \$63.5/t and €25.3/t respectively. Ongoing uncertainty around Brexit, and speculation that a no-deal is increasingly likely, has been a key bearish price driver for carbon this month.

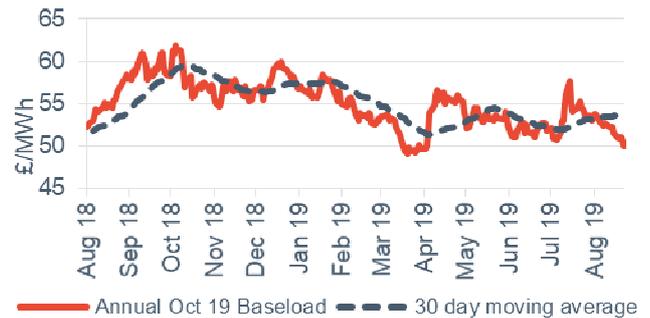
Baseload electricity

- Day-ahead power was up 14.8% to £41.0/MWh, as lower wind generation is forecast over the bank holiday weekend and early next week.
- September and October 19 power contracts were 3.8% and 6.1% lower at £40.9/MWh and £41.8/MWh respectively. Both contracts are at a three-week low.
- Annual October 19 power dropped 2.8% week-on-week to £49.9/MWh.
- The contract is 6.4% below the same time last month (£53.4/MWh), and 11.4% lower than the same time last year (£56.4/MWh).

Forward curve comparison



Annual October contract



Peak electricity

- Day-ahead peak power was up 8.8% to £42.3/MWh, just £1.3/MWh above its baseload counterpart.
- September and October 19 peak power decreased by 3.4% and 5.3% to £44.1/MWh and £46.8/MWh, respectively.
- Annual October 19 peak power was 2.3% lower at £55.5/MWh, £5.6/MWh above its baseload power counterpart.
- The contract is 5.9% below its value this time last month (£59.0/MWh), and 7.3% below the same time last year when it was £62.8/MWh.

Forward curve comparison



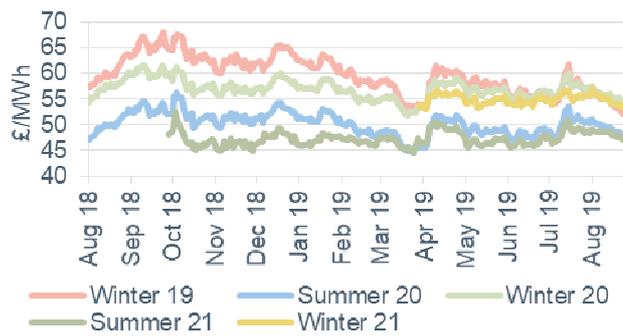
Annual October contract



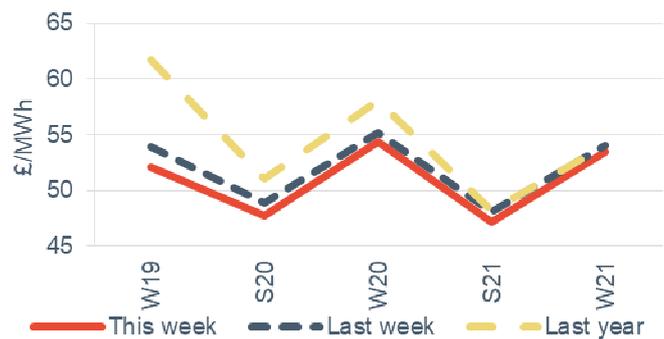


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve

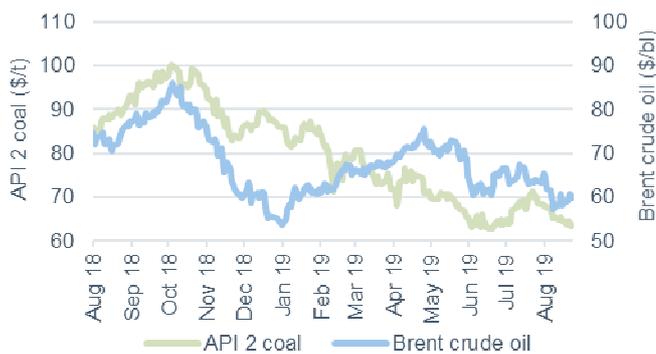


- Seasonal baseload power contracts were down 2.0% on average.
- Winter 19 power declined 3.3% to £52.1/MWh, the lowest since 4 May 2018.

- All seasonal peak power contracts were down, falling 1.5% on average.
- Winter 19 peak power decreased 2.5% to £58.8/MWh, the lowest since 4 May 2018.

Commodity price movements

Oil and coal



- Brent crude oil was up 1.7% to average \$59.9/bl.
- Prices were supported by news of another weekly decline in US crude stocks, which fell by 2.73mn barrels to around 438mn. However, this is still a 30mn barrel increase year-on-year.
- Norwegian investment bank DNB Markets recently lowered its forecasts for 2019 oil prices to average \$66/bl (previously \$73/bl), citing expectations of lower demand growth amid the global economic slowdown and higher non-OPEC production.
- API 2 coal prices fell 1.5% to average \$64.0/t.
- Coal prices dropped to a two-month low of \$63.5/t on 22 August, as demand remained relatively weak as cheaper gas prices and relatively high carbon prices continue to keep coal-fired power plant above gas in the GB electricity market merit order.

Carbon



- EU ETS carbon prices averaged €26.3/t, down 1.8% from the previous week.
- Carbon prices dropped as low as €25.3/t at the German auction on 23 August, a two-month low.
- Ongoing uncertainty around Brexit, and speculation that a no-deal is increasingly likely, has been a key bearish price driver this month.
- The final week in August is the last week before auction volumes return to normal levels in September, with total volumes up 16% to 6.7mn EUAs despite no auction taking place on 26 August due to the UK bank holiday.

Supplier tariff movements

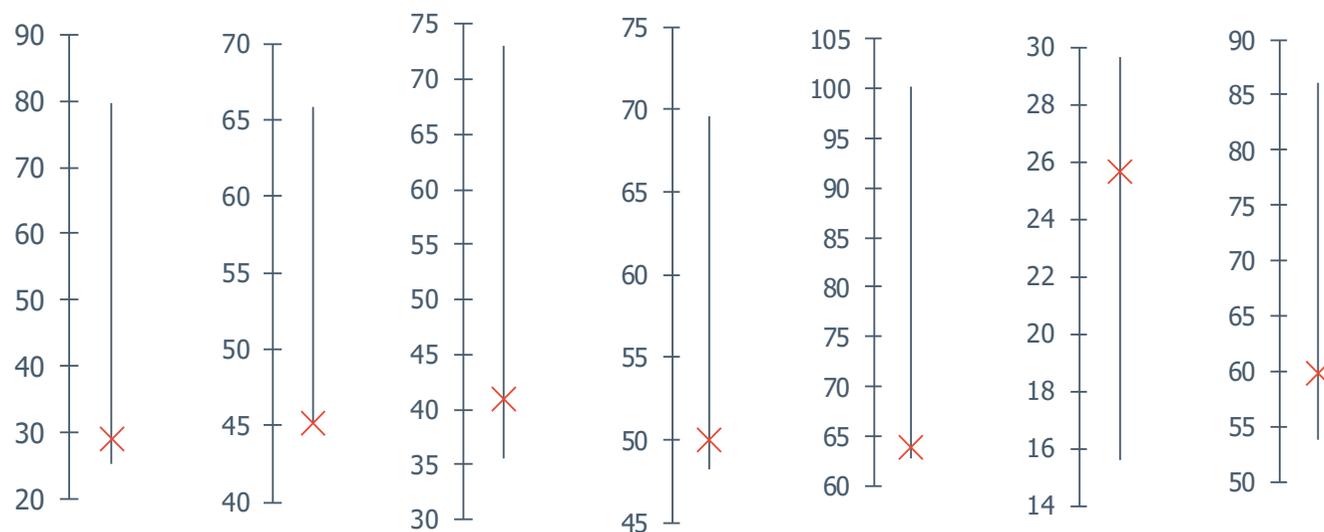
In July, eight suppliers decreased the price of their cheapest available tariff, while 17 suppliers increased the price of their cheapest tariff. SSE's cheapest tariff increased by £220/year to £1,203/year on average following the withdrawal of its Exclusive 1 Year Fixed v2 tariff. Ovo Energy launched a new version of its Better Energy tariff, priced at £1,035/year on average, down from £1,191/year in June. New entrant GOTO Energy began offering tariffs with a tariff priced at £997/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	23 Aug 19	29.25	45.16	41.00	49.94	63.80	25.64	59.80
Two weeks ago	16 Aug 19	27.25	46.85	35.70	51.40	64.50	26.26	59.23
Four weeks ago	26 Jul 19	27.90	48.71	41.00	53.38	68.75	28.32	63.74
Last year	24 Aug 18	66.50	56.76	65.25	56.38	89.25	20.23	75.27
Year-on-year % change		-56.0%	-20.4%	-37.2%	-11.4%	-28.5%	26.7%	-20.6%
Year high		79.75	65.85	73.00	69.61	100.15	29.66	86.12
Year low		25.15	45.16	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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