

Energy Wholesale Market Review

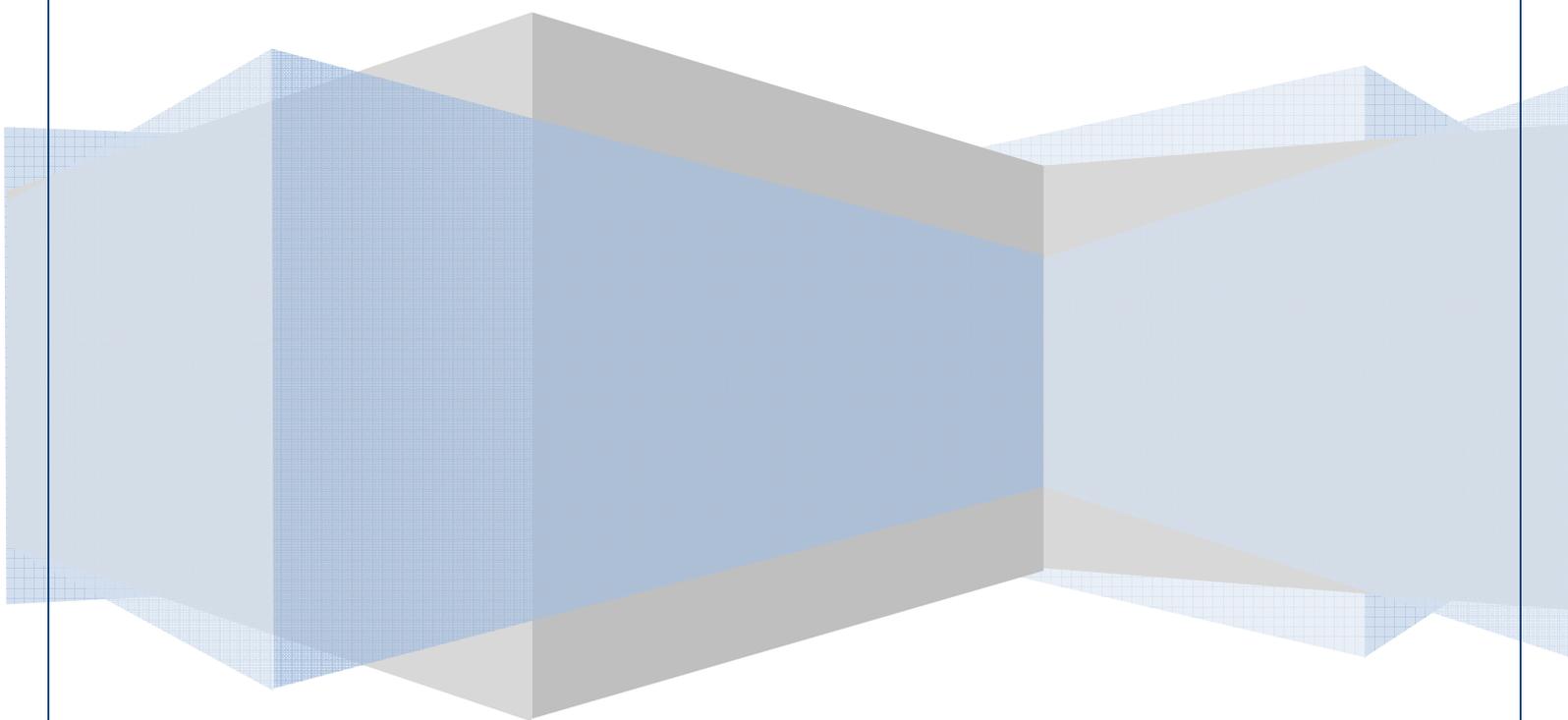
Week Ending 30th August 2019



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Wholesale power and gas contracts experienced mixed movements. Both day-ahead power and gas were down, falling 4.3% and 5.1% to £39.3/MWh and 27.8p/th respectively. The contracts were supported by periods of higher wind generation and comfortable gas supplies. The scheduled arrival of two LNG tankers from Qatar early in September has also pressured prices, with supplies expected to remain comfortable despite maintenance reducing gas flows from Norway throughout the month. On average, seasonal gas and power contracts moved lower, down 0.6% and 0.1% respectively. Although the winter 19 contract for both power and gas were higher week-on-week, winter 19 power hit a 15-month low of £51.5/MWh on 27 August and winter 19 gas hit a two-year low of 45.9p/th on 28 August. Brent crude oil was up 0.4% to average \$60.2/bl, supported by news of another weekly decline in the amount of oil held in US inventories. API 2 coal prices fell further, down 0.6% to average \$63.6/t. Coal prices dropped to \$63.1/t on 28 August, the lowest since 19 June. Demand for coal in Europe will remain weak in September as cheaper gas continues to drive coal out of the generation mix. EU ETS carbon prices averaged €26.0/t, down 1.2% from the previous week. Carbon prices ended the week at €26.8/t, a 10-day high. Prices found support from halved auction volumes in August, while an optimistic outlook for US-China trade talks resuming provided uplift.

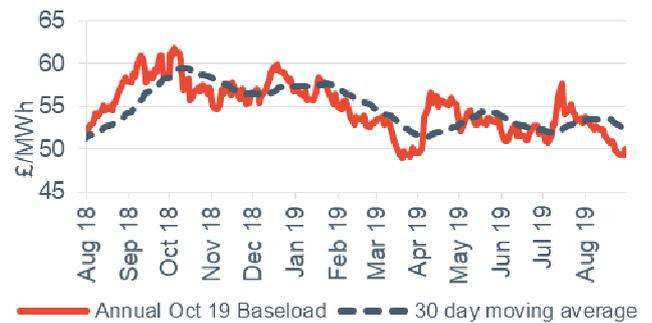
Baseload electricity

- Day-ahead power was down 4.3% to £39.3/MWh, pressured by periods of higher wind generation and a drop in day-ahead gas prices.
- September 19 power slipped 0.3% to £40.7/MWh.
- October 19 power gained 2.0% to £42.6/MWh.
- Annual October 19 power was unchanged at £50.0/MWh.
- The contract is 7.0% below the same time last month (£53.7/MWh), and 13.7% lower than the same time last year (£57.9/MWh).

Forward curve comparison



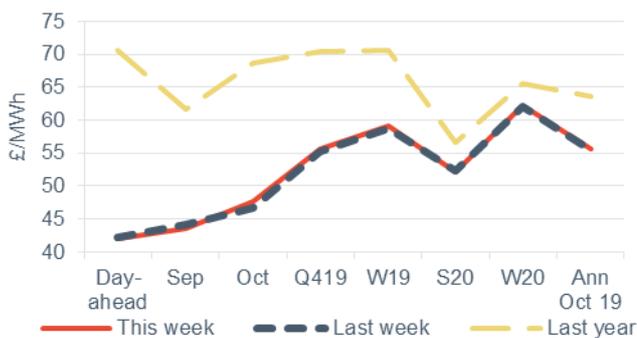
Annual October contract



Peak electricity

- Day-ahead peak power was down 0.6% to £42.0/MWh, £2.7/MWh above its baseload counterpart.
- September 19 peak power lost 1.2% to £43.5/MWh.
- October 19 peak power was 1.8% higher at £47.6/MWh.
- Annual October 19 peak power was up 0.2% at £55.6/MWh, remaining £5.6/MWh above its baseload power counterpart.
- The contract is 6.0% below its value this time last month (£59.1/MWh), and 12.7% below the same time last year when it was £63.7/MWh.

Forward curve comparison



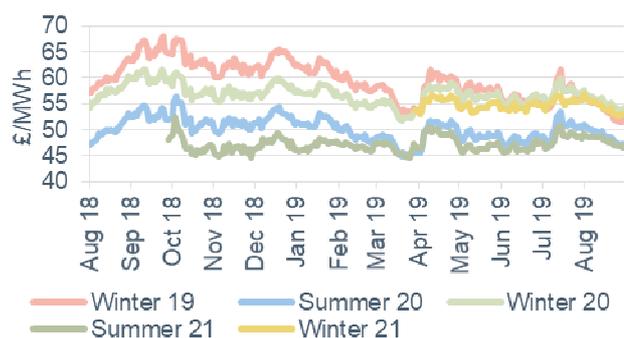
Annual October contract





Seasonal power prices

Seasonal baseload power contracts



- Seasonal baseload power contracts were down 0.1% on average.
- Winter 19 power climbed 0.9% to £52.6/MWh, while summer 20 power fell by 0.9% to £47.4/MWh.

Seasonal baseload power curve



- Seasonal peak power contracts were up 0.2% on average.
- Winter 19 peak power increased 0.7% to £59.2/MWh.

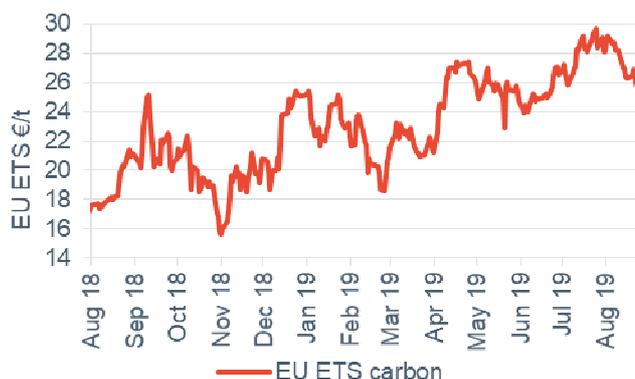
Commodity price movements

Oil and coal



- Brent crude oil was up 0.4%, averaging \$60.2/bl.
- Oil prices were supported by news of another weekly decline in US crude stocks, which fell by over 10mn barrels.
- US bank Morgan Stanley lowered its oil price forecasts for the remainder of 2019, down to \$60/bl from \$65/bl. The bank cited a weaker global economic outlook, lower oil demand and growing US supplies as the main drivers for the reduction.
- API 2 coal prices fell 0.6% to \$63.6/t, dropping to \$63.1/t on 28 August, the lowest since 19 June.
- According to BEIS data, UK generators imported 3.9mt of coal in H1 19, a 19% reduction from H1 18. However, with generators burning only 1.5mt of coal in H1 19, a 60% reduction y-o-y, stocks at plants in June 2019 reached their highest levels since November 2017 at 4.7mt.

Carbon



- EU ETS carbon prices averaged €26.0/t, down 1.2% from the previous week.
- Carbon prices ended the week at €26.8/t, a 10-day high. Prices found support from halved auction volumes in August, while an optimistic outlook for US-China trade talks resuming provided uplift for the wider energy complex, feeding through to carbon prices.
- The return of normal auction volumes in September will provide downwards pressure to prices, with auction volumes up 24% this week from last week. However, the forecast of weaker renewables generation and temperatures well below seasonal normal levels in Germany will see a rise in coal-fired power generation, and therefore greater demand for EUAs at auctions this week.

Supplier tariff movements

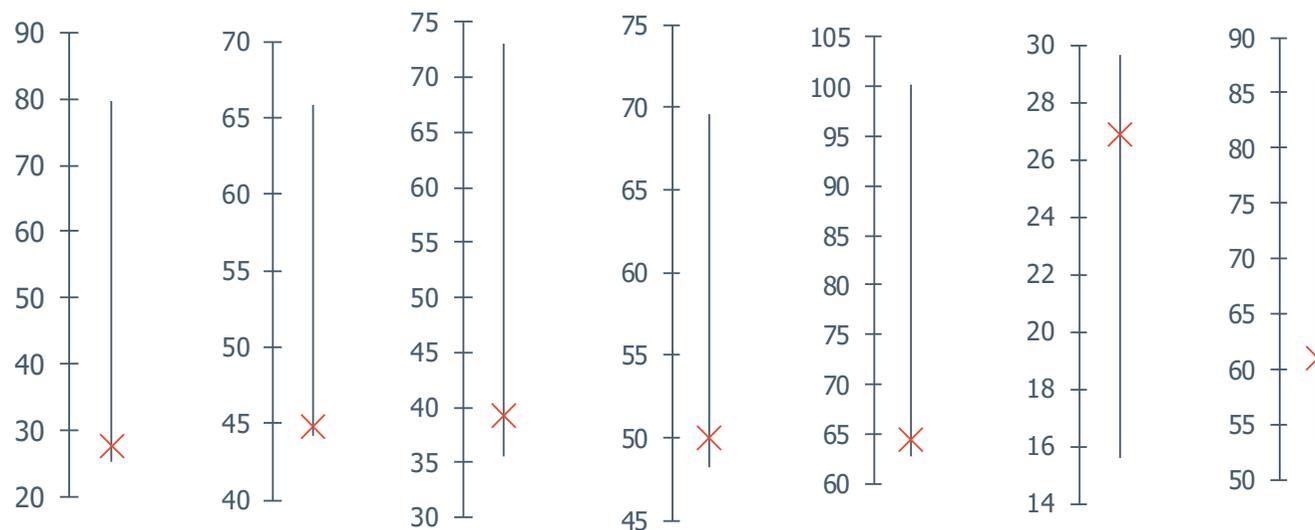
In July, eight suppliers decreased the price of their cheapest available tariff, while 17 suppliers increased the price of their cheapest tariff. SSE's cheapest tariff increased by £220/year to £1,203/year on average following the withdrawal of its Exclusive 1 Year Fixed v2 tariff. Ovo Energy launched 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	30 Aug 19	27.75	44.80	39.25	49.96	64.50	26.85	60.90
Two weeks ago	23 Aug 19	29.25	45.16	41.00	49.94	63.80	25.64	59.80
Four weeks ago	2 Aug 19	30.50	48.67	42.75	53.69	67.70	29.12	61.83
Last year	31 Aug 18	69.25	57.77	67.00	57.91	93.25	21.11	77.15
Year-on-year % change		-59.9%	-22.5%	-41.4%	-13.7%	-30.8%	27.2%	-21.1%
Year high		79.75	65.85	73.00	69.61	100.15	29.66	86.12
Year low		25.15	44.21	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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