Energy Wholesale Market Review

Week Ending 22nd May 2020

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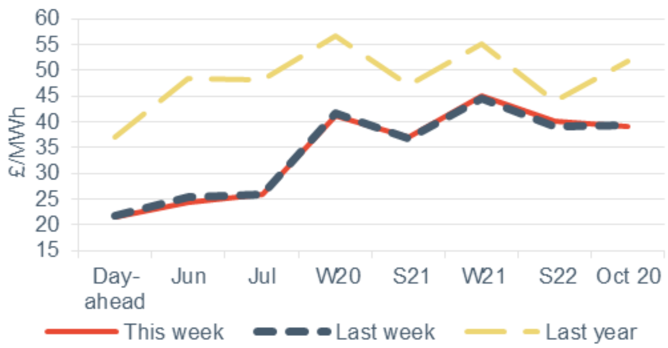
Headlines 22/05/2020

Gas and power contracts saw mixed movements this week, with the price of nearer-term contracts falling as a result of continued low demand, whilst there were bullish signs for the majority of seasonal power contracts. Day-ahead gas fell 46.7% to a 14-year low of 6.85p/th as extremely low gas-for-power demand weighed on prices. Day-ahead power fell 0.9% to £21.50/MWh despite trading at £12/MWh on 21 May due to high wind generation forecasts. June 20 gas was down 32.5% at 8.53p/th, and July 20 gas decreased 32.0% to 8.82p/th. Most seasonal gas contracts declined last week, down by 1.1% on average, while both winter 20 and summer 21 gas dropped 7.8% and 3.0% respectively, subsiding to 30.10p/th and 28.77p/th. Contrastingly, the majority of seasonal power contracts rose this week, up on average by 1.2%, as winter 20 power decreased 1.5% to £41.03/MWh, while summer 21 expanded 0.6% to £37.07/MWh. Brent crude oil continued last week's momentum to rise 15.5% last week, averaging $35.02/bl, despite falling slightly towards the end of the week. The gains made by oil prices this week have largely been attributed to the easing of lockdown restrictions across the globe resulting in a rise in demand. EU ETS carbon prices rose 8.9% this week as price gains from limited auction supply were extended by rising oil prices.

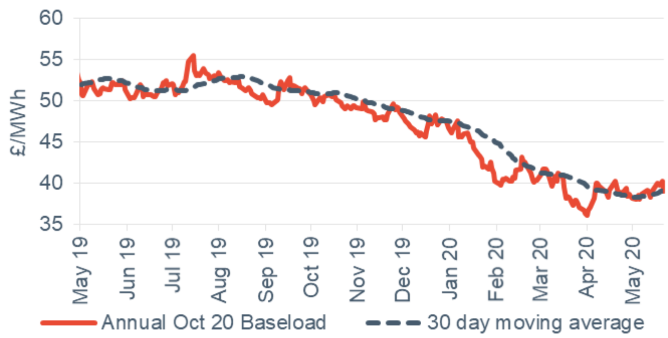
Baseload electricity

- Day-ahead power fell 0.9% to £21.50/MWh, despite trading as low as £12/MWh midweek as a result of high wind generation forecasts
- June 20 power slipped 4.2% at £24.25/MWh and July 20 power increased 0.6% to £26.00/MWh
- Q320 power moved 3.7% lower to £26.99/MWh
- The Annual October 20 contract lost 0.5% to £39.05/MWh, 24.7% lower than the same time last year (£51.88/MWh)

Forward curve comparison



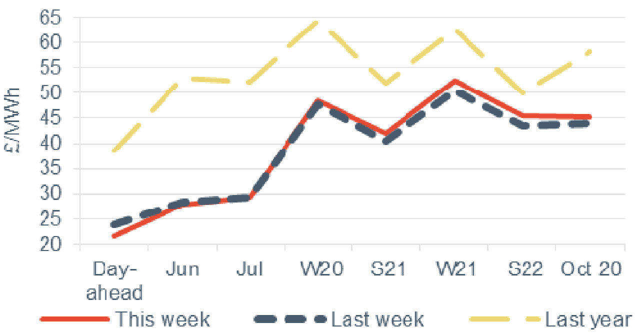
Annual October contract



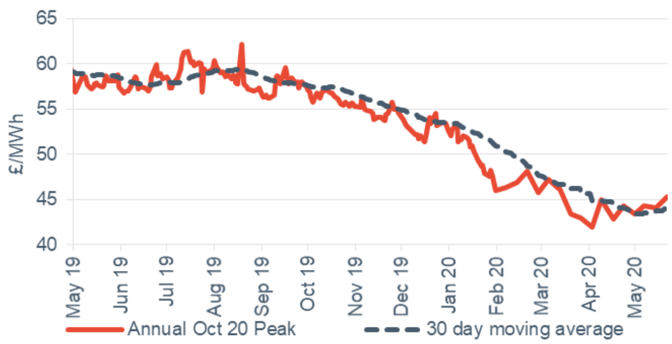
Peak electricity

- Day-ahead peak power was down 9.5% to £21.50/MWh
- June 20 peak power declined 1.5% to £27.87/MWh, and July 20 peak power decreased 0.2% to £29.22/MWh
- The annual October 20 peak power lost 2.8% to 45.32/MWh
- This is 22.1% lower than the same time last year (58.14/MWh)

Forward curve comparison

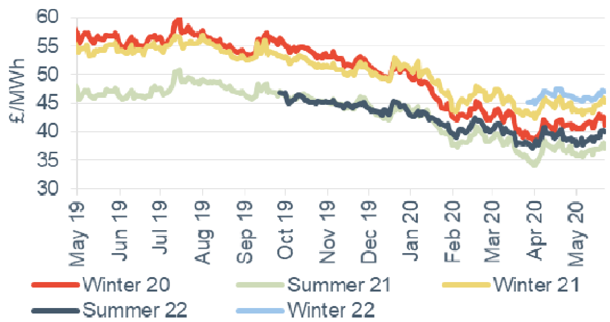


Annual October contract

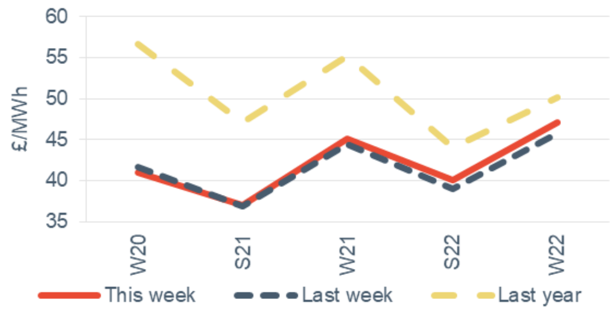


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve

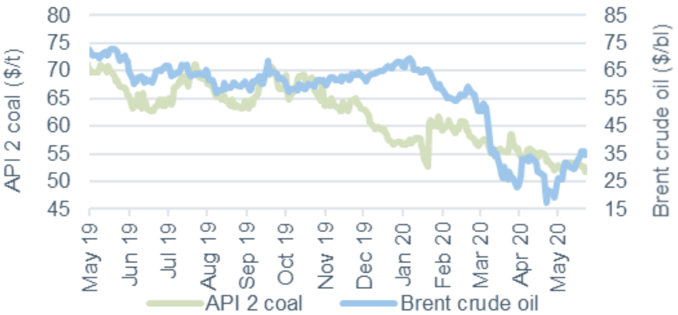


- Seasonal power contracts were mixed this week, up on average by 1.2%
- Winter 20 power decreased 1.5% to £41.03/MWh, while summer 21 expanded 0.6% to £37.07/MWh

- All seasonal peak power contracts boosted this week, up 3.6% on average
- Winter 20 and summer 21 peak power increased 1.7% and 4.1% respectively, falling to £48.53/MWh and £42.11/MWh

Commodity price movements

Oil and coal



- Brent crude oil continued last week's momentum to rise 15.5% last week, averaging $35.02/bl, despite falling slightly towards the end of the week
- The gains made by oil prices this week have largely been attributed to the easing of lockdown restrictions across the globe resulting in a rise in demand
- Prices were also driven higher midweek by the announcement that US crude inventories had dropped for the second consecutive week, having previously recorded 15 straight weeks of rising stockpiles
- Prices tailed off towards the end of the week, finishing just above $34/bl. Rising US-China tensions weighed on prices as doubts remain over the speed of demand recovery

Carbon

- EU ETS carbon prices rose 8.9% this week as price gains from limited auction supply were extended by rising oil prices
- Several bank holidays across the continent saw no EUA auctions from 21-25 May
- API 2 coal prices slipped to $52.60/t as coal prices continued to show minimal movements

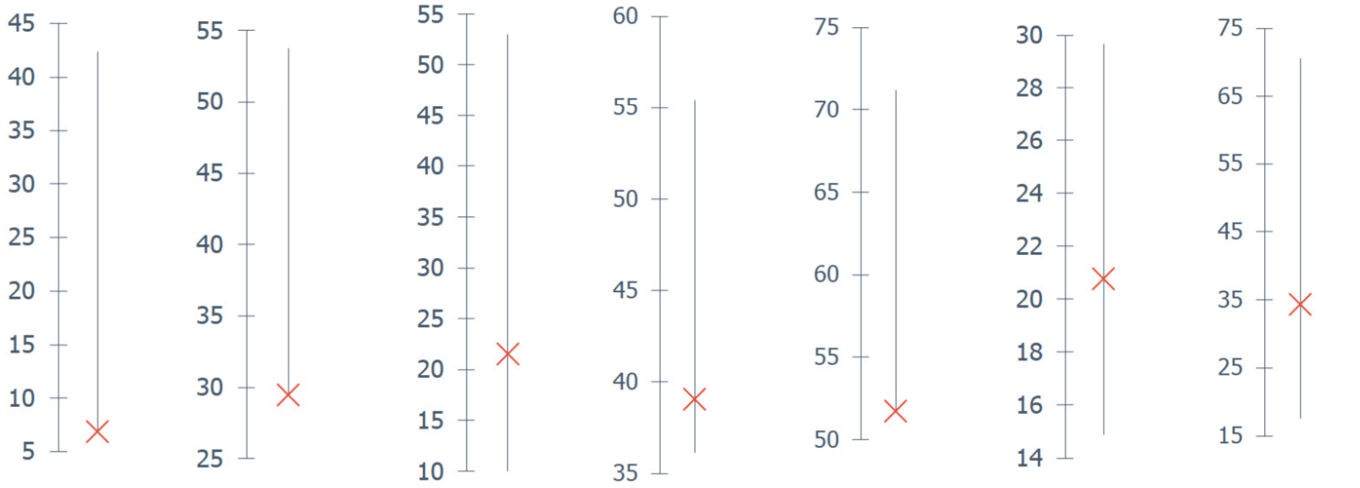
Supplier tariff movements

Between 22 March and 26 April, 61 suppliers decreased the price of their cheapest available tariffs (fixed/variable tariffs only) with the greatest decrease from Go Effortless at -£172. Only 3 suppliers increased the price of their cheapest available tariffs when comparing the two dates. These are: Good Energy (+£5), Utility Point (+£31) and Ovo Energy (+£152). Domestic tariff movements are a useful proxy for small and medium sized business rates, as the bills are largely made up of the same components.

Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	22 May 20	6.85	29.44	21.50	39.05	51.75	20.77	34.34
Last week	15 May 20	12.85	31.14	21.70	39.26	53.45	19.19	31.87
Four weeks ago	24 Apr 20	11.25	30.43	25.60	38.71	53.40	20.75	21.30
Last year	23 May 19	28.50	50.71	40.55	52.21	67.50	26.00	69.78
Year-on-year % change		-76.0%	-41.9%	-47.0%	-25.2%	-23.3%	-20.1%	-50.8%
12-month high		42.40	53.78	53.00	55.40	71.20	29.66	70.53
12-month low		6.85	29.44	10.00	36.15	51.75	14.90	17.53

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 19 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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