



# Energy Wholesale Market Review

Week Ending 8th January 2021



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## Headlines 8/01/2021

Most power and gas contracts continue to follow bullish trends as observed prior to the Christmas break. Day-ahead power rose 6.6% to £68.25/MWh, finding support from tight supply margins, amid periods of low generation availability and high demand, with two Electricity Margin Notice (EMN) issued in the week on Wednesday and Friday. Day-ahead gas rose 8.3% to 61.75p/th, benefitting from the continued period of colder weather across the UK and much of North-West Europe, although this is set to subside next week. February 21 gas was up 7.2% at 60.82p/th, and March 21 gas increased 6.0% to 55.64p/th. Most seasonal gas contracts rose last week, up by 0.7% on average, with summer 21 and winter 21 gas increasing 2.6% and 2.3% respectively, lifting to 43.59p/th and 51.49p/th. Most seasonal power contracts also saw growth, rising by 1.7%, as summer 21 and winter 21 expanded 2.6% and 2.6% respectively, to £53.16/MWh and £59.00/MWh. Brent crude oil resumed gains last week, averaging \$53.45/bl last week. Prices reached a near 11-month high on Friday at \$54.74/bl. The Brent crude price lifted on supply cut pledges from Saudi Arabia, to combat market oversupply and demand concerns. EU ETS carbon climbed for the eighth consecutive week, rising 4.1% to average €34.02/t last week. Carbon prices were almost 17% higher than the same time last month. Prices on 8 January reached a new all-time high at €34.83/t. Prices continued to find support from ambitious climate targets made by the EU with a tighter carbon market expected as a result.

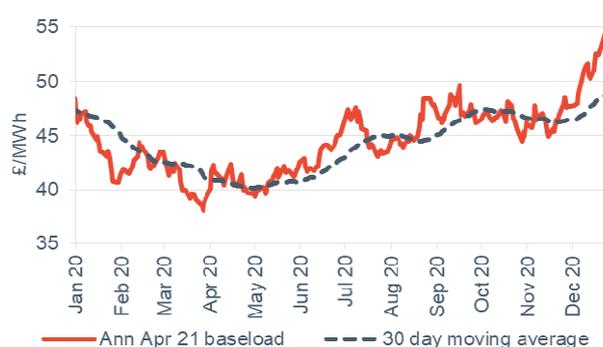
## Baseload electricity

- Day-ahead power rose 6.6% to £68.25/MWh, following continued trends of tight supply margins.
- February 21 power climbed 7.0% at £70.61/MWh and March 21 power increased 5.1% to £62.03/MWh.
- Q221 power moved 9.4% higher to £54.15/MWh.
- The annual April 21 contract rose 2.6% to £56.08/MWh, 19.5% higher than the same time last year (£46.94/MWh).

### Forward curve comparison



### Annual April contract



## Peak electricity

- Day-ahead peak power was up 3.8% to £75.50/MWh, following its baseload counterpart higher.
- February 21 peak power gained 2.5% at £81.52/MWh, and March 21 peak power increased 2.1% to £65.31/MWh.
- The annual April 21 peak power lost 2.1% to £61.62/MWh.
- This is 15.7% lower than the same time last year (53.27/MWh).

### Forward curve comparison



### Annual April contract





## Seasonal power prices

### Seasonal baseload power contracts



- The majority of seasonal power contracts increased this week, up on average by 1.7%.
- Summer 21 and winter 21 expanded 2.6% and 2.6% respectively, rising to £53.16/MWh and £59.00/MWh.

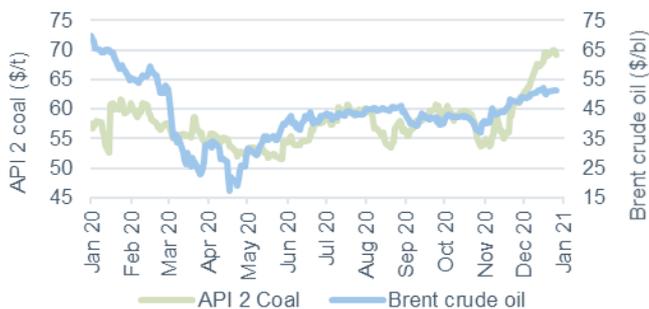
### Seasonal baseload power curve



- Most seasonal peak power contracts boosted this week, up 1.3% on average.
- Summer 21 and winter 21 peak power increased 1.7% and 2.5% respectively, falling to £57.02/MWh and £66.22/MWh.

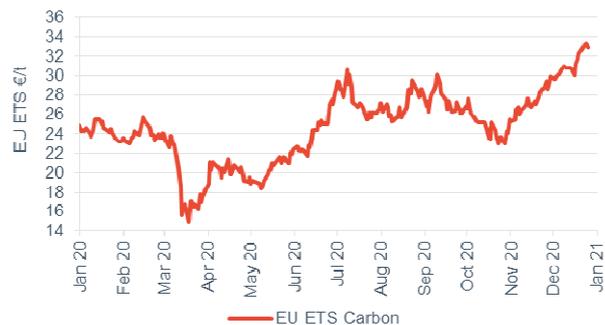
## Commodity price movements

### Oil and coal



- Brent crude oil resumed gains last week, as observed towards the end of December, averaging \$53.45/bbl last week. Prices reached a near 11-month high on Friday at \$54.74/bbl
- The Brent crude price found support from supply cut pledges from Saudi Arabia, to combat market oversupply and demand concerns as many major economies enter periods of tougher lockdown restrictions to combat the spiral in cases from coronavirus.
- Further gains were suppressed by the news that COVID-19 infection rates have risen sharply in recent weeks with the emergence of a new strain of the virus.
- API 2 coal fell 2.1% from the previous week to average \$68.04/t.

### Carbon



- EU ETS carbon climbed for the eighth consecutive week, rising 4.1% to average €34.02/t last week. Carbon prices were almost 17% higher than the same time last month.
- Prices on 8 January reached a new all-time high at €34.83/t. Prices continued to find support from ambitious climate targets made by the EU with a tighter carbon market expected as a result.
- The UK left the EU ETS scheme on 1 January 2021, but the government has confirmed the implementation of a replacement UK ETS, potentially linked to the EU ETS, with auctions to start no later than Q2 2021. UK emitters are still required to comply with their 2020 emissions under the EU ETS, with a deadline to surrender allowances on 30 April 2021.

## Supplier tariff movements

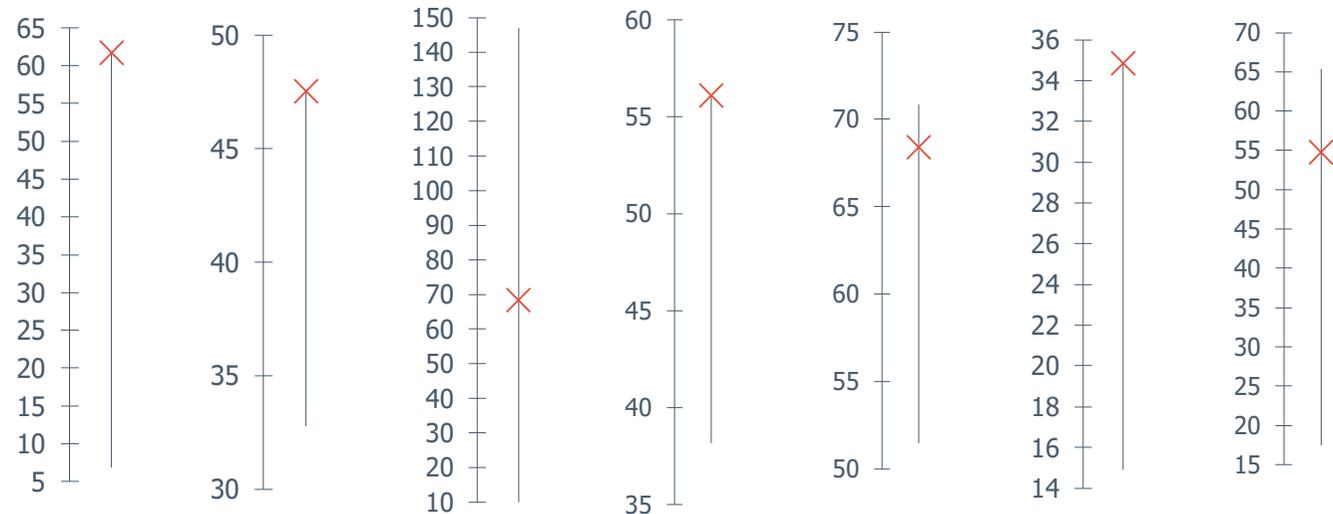
E.ON UK was the only supplier to decrease the price of its cheapest available tariff between 12 December and 2 January by £2/year to £912/year on average. 18 suppliers increased the price of their cheapest available tariff between 12 December and 2 January. Scottish Power increased its cheapest tariff by the greatest amount of £134/year to £999/year on average, while PFP Energy and Shell Energy recorded the second and third largest increases in their cheapest tariffs of £123/year and £104/year to £947/year and £986/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)
This week	8 Jan 21	61.75	47.54	68.25	56.08	68.40	34.83	54.74
Last week	31 Dec 20	57.00	46.40	64.00	54.66	69.25	32.87	51.43
Four weeks ago	4 Dec 20	42.50	37.74	110.00	47.63	62.15	29.89	49.23
Last year	10 Jan 20	29.35	43.36	36.15	46.94	57.90	24.64	65.39
Year-on-year % change		110.4%	9.6%	88.8%	19.5%	18.1%	41.4%	-16.3%
12-month high		61.75	47.57	147.00	56.08	70.85	34.83	65.39
12-month low		6.85	32.75	10.00	38.16	51.50	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 20 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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