Energy Wholesale Market Review

Week Ending 4th February 2022

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com

Contents

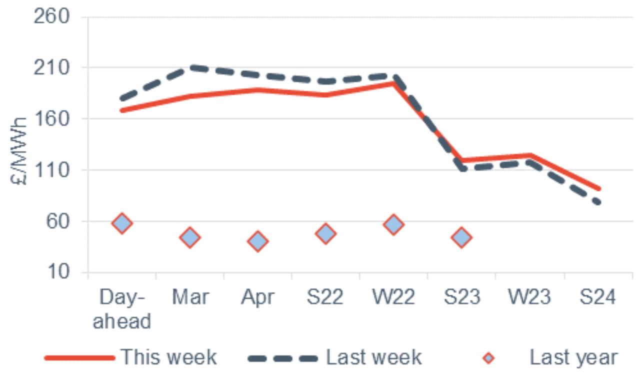
Headlines 04/02/2022

This week was saw a largely bearish sentiment across GB gas and power contracts. The most pronounced week-on-week losses were observed in near-term contracts, due to easing pressures on system fundamentals in the week. Subsequently, day-ahead gas fell 14.2% to 188.00p/th, following periods of stronger Norwegian imports and increased LNG cargo deliveries to the UK, softening the ongoing tight gas supply landscape. Day-ahead power fell too, down 7.2% to £168.00/MWh, mirroring the largely bearish direction of near-term gas contracts. This was exacerbated by periods of stronger wind generation in tandem. As a result, March 22 gas was down 12.0% at 196.24p/th, and April 22 gas decreased 9.7% to 194.78p/th. Most seasonal gas contracts declined this week, down by 2.8% on average. Both summer 22 and winter 22 gas dropped 9.4% and 9.6% respectively, subsiding to 194.85p/th and 202.53p/th. On the contrary, most seasonal power contracts boosted this week, up on average by 3.7%, as summer 22 power increased 6.7% to £183.75/MWh, and winter 23 lifted 5.9% to £125.00/MWh.

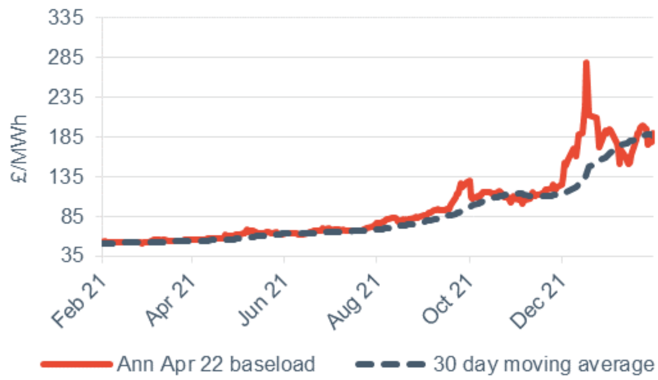
Baseload electricity

- Day-ahead power fell 7.2% to £168.00/MWh, following near-term gas contracts lower, exacerbated by periods of stronger wind generation in tandem.
- March 22 power slipped 13.5% to £182.50/MWh and April 22 power decreased 7.6% to £188.00/MWh.
- Q222 power moved 6.1% lower to £185.00/MWh.
- The annual April 22 contract lost 5.3% to £189.38/MWh, but was 265.0% higher than the same time last year (£51.88/MWh).

Forward curve comparison



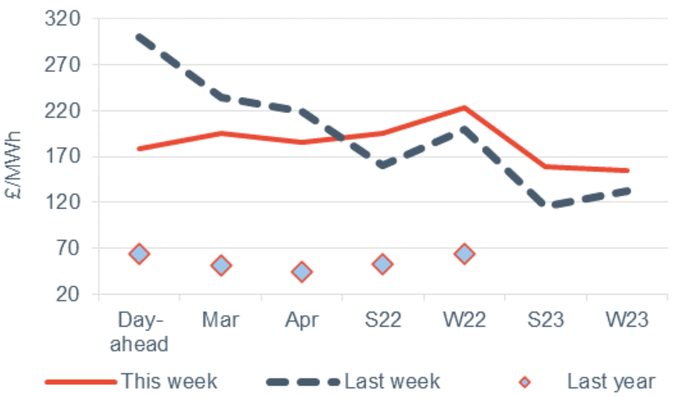
Annual April contract



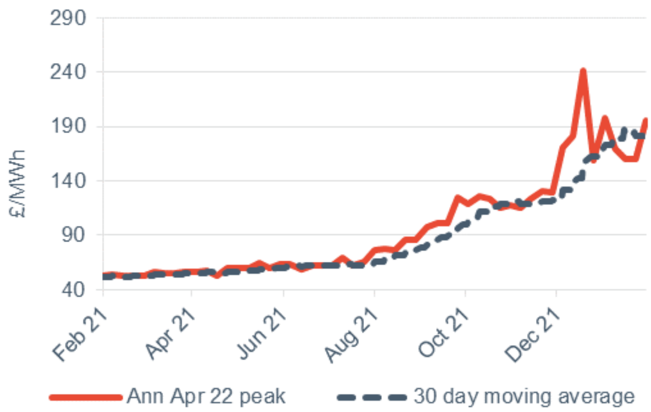
Peak electricity

- Day-ahead peak power slid 40.7% to £178.00/MWh, following its baseload counterpart lower with forecasts or more comfortable supply margins.
- March 22 peak power declined 17.0% at £195.00/MWh, and April 22 peak power decreased 15.8% to £185.00/MWh.
- The annual April 22 peak power contract rose 16.1% to £209.00/MWh.
- This was 258.3% higher than the same time last year (58.33/MWh).

Forward curve comparison

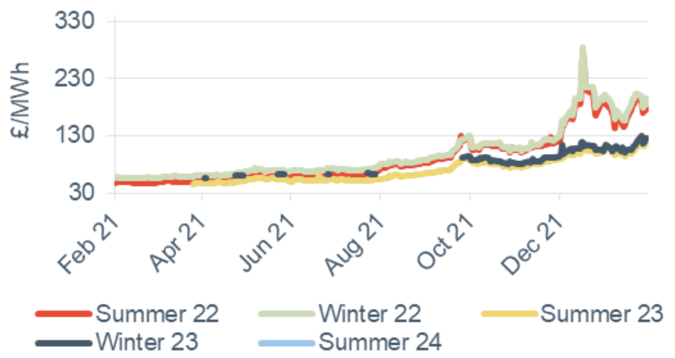


Annual April contract



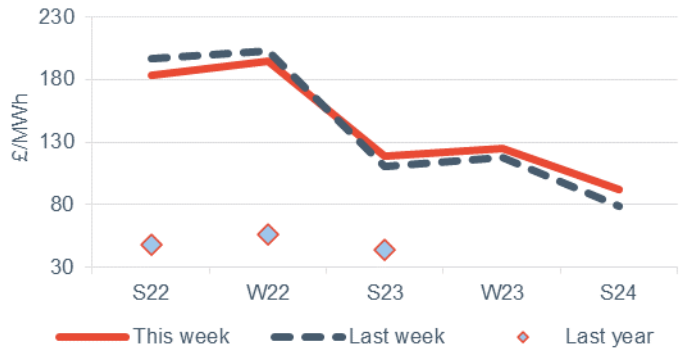
Seasonal power prices

Seasonal baseload power contracts



- Most seasonal power contracts boosted this week, up on average by 3.7%.
- Summer 23 power increased 7.2% to £119.00/MWh, while summer 24 lifted 16.2% to £92.00/MWh.

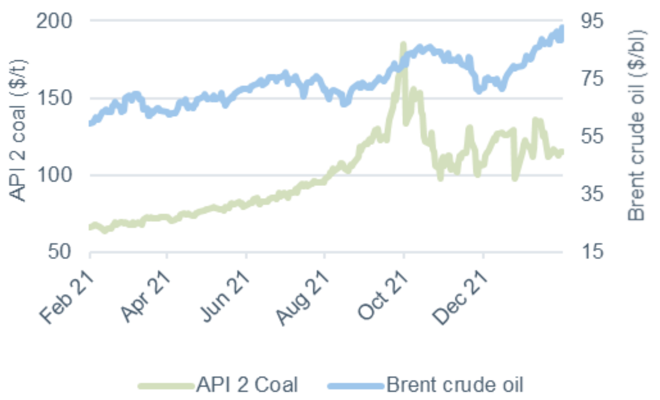
Seasonal baseload power curve



- All seasonal peak power contracts boosted this week, up 22.1% on average.
- Summer 22 and winter 22 peak power increased 21.9% and 11.5% respectively, lifting to £195.00/MWh and £223.00/MWh.

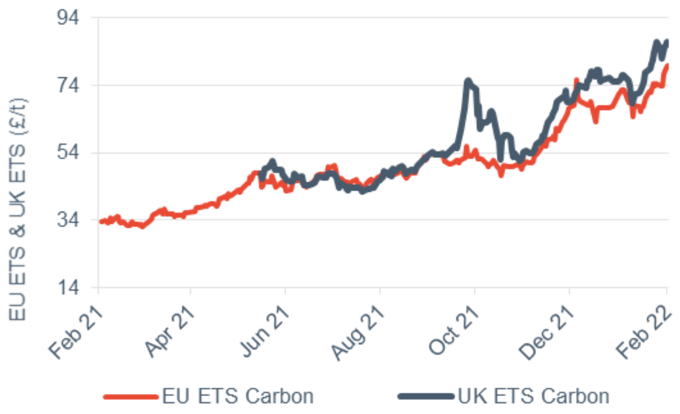
Commodity price movements

Oil and coal



- Brent crude prices climbed again this week, up 1.4% to average $90.06/bl, including a fresh seven-year high on 4 February at $92.57/bl.
- Prices this week continued to find bullish price support through ongoing market tightness.
- Geopolitical tension between the Ukraine and Russia continued, and the threat of supply disruption from Russia has exacerbated future supply concerns.
- However, bullish momentum from the Ukrainian and Russian conflict was partially offset by OPEC+ confirming they are looking to stick to their planned output rises.

Carbon (UK and EU ETS)



- Carbon prices saw collective increase from the week prior. The UK ETS lifted, up 3.0% to £84.85/t, while the EU ETS gained 4.3% to average €91.68/t.
- The UK ETS broke record highs since the scheme's inception in May 2021 on multiple days, with the latest high sitting at £86.75/t, aided by elevated gas prices prompting gas to coal switching, partly driven by the on-going Russian gas supply concerns.

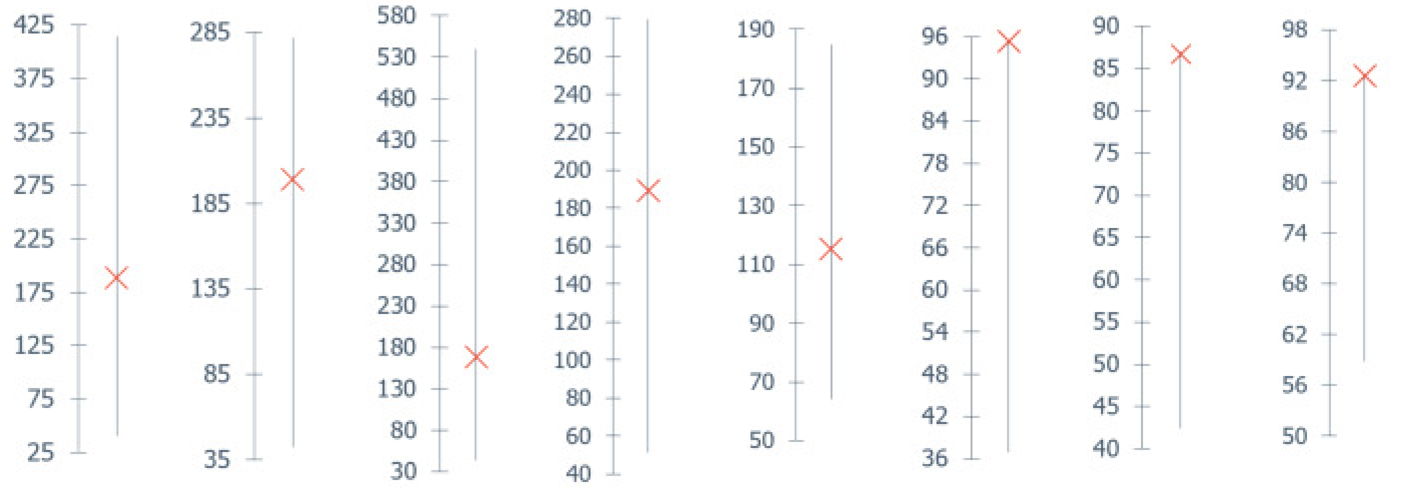
Supplier tariff movements

Several of the tariffs priced at or below Ofgem's default tariff cap (£1,277/year on average) are not actively being marketed to new customers at present. All of these are suppliers' Standard Variable Tariffs (SVTs) and are available to existing customers when their tariff expires or through limited channels. Utility Warehouse's Double Gold tariff was priced at £1,213/year at 29 January. Square1 Energy's Standard Variable Tariff was priced at £1,258/year on average at 29 January. Sainsbury's Energy decreased the price of its cheapest available tariff by £246/year on average to £2,300/year on average.

Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	EUA carbon	UKA carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	(£/t)	($/bl)
This week	4 Feb 22	188.00	198.69	168.00	189.38	115.25	95.26	86.75	92.57
Last week	28 Jan 22	219.00	219.50	181.00	200.00	117.00	89.50	87.00	89.72
Four weeks ago	7 Jan 22	227.00	209.19	215.00	192.75	120.00	87.20	77.00	82.85
Last year	4 Feb 21	49.25	43.85	58.25	51.88	66.10	36.94	N/A	58.81
Year-on-year % change		281.7%	353.1%	188.4%	265.1%	74.4%	157.9%	N/A	57.4%
12-month high		415.00	281.63	540.00	279.13	185.00	95.26	87.00	92.57
12-month low		40.25	42.33	43.40	51.41	64.00	36.86	42.40	58.81

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 21 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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com