Energy Wholesale Market Review

Week Ending 2nd February 2024

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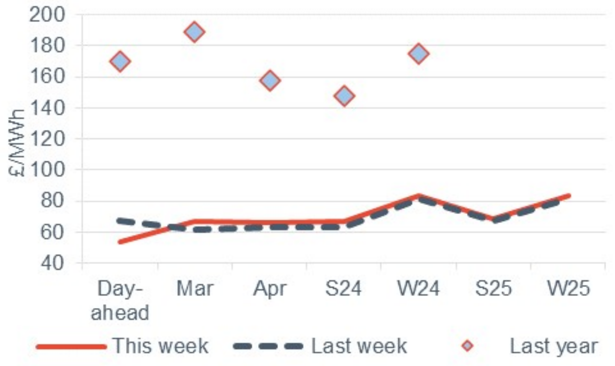
Headlines 02/02/2024

Most wholesale gas and power contracts experienced week-on-week gains this week. However, we continue to observe subdued wholesale energy prices compared to the year previous. Day-ahead gas rose 5.1% to 69.25p/th, despite above-average temperature forecasts in tandem with strong flows from the Norwegian Continental Shelf providing greater supply security to GB. Opposing this, day-ahead power fell 20.1% to £53.50/MWh, with losses driven further by forecasts of higher wind generation and lower demand, acting to decrease reliance on gas-fired assets. However, March 24 gas was up 7.0% at 70.70p/th, and April 24 gas increased 3.3% to 71.30p/th. Similarly, all seasonal gas contracts increased this week, up by 2.9% on average, with both summer 24 and winter 24 gas dropping 4.9% and 2.2% respectively, rising to 72.50p/th and 88.80p/th. Like gas, all seasonal power contracts registered gains this week, up on average by 3.1%, as summer 24 power grew 5.0% to £66.50/MWh, and winter 24 rose 2.6% to £83.10/MWh.

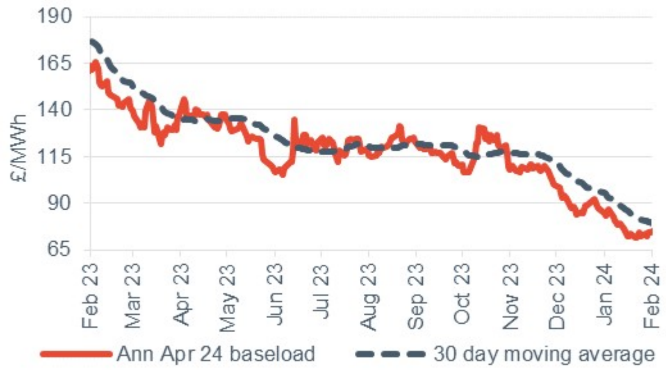
Baseload electricity

- Day-ahead power fell 20.1% to £53.50/MWh, with losses driven by forecasts of higher wind generation for and lower demand for Monday, acting to decrease reliance on gas-fired assets
- However, March 24 power climbed 7.7% at £66.50/MWh and April 24 power increased 4.4% to £66.00/MWh.
- Q224 power moved 5.6% higher to £66.00/MWh.
- The annual April 24 contract rose 3.6% to £74.80/MWh, 53.7% lower than the same time last year (£161.50/MWh).

Forward curve comparison



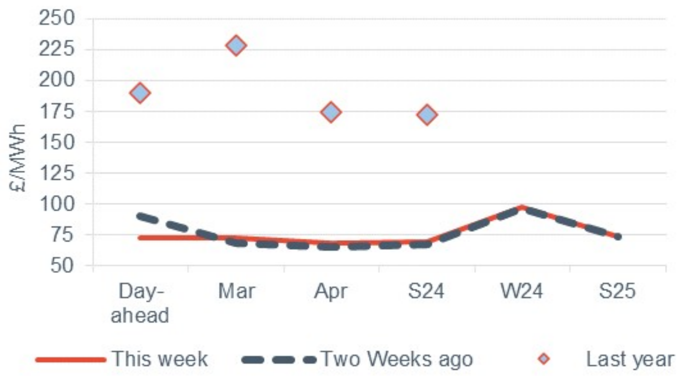
Annual April contract



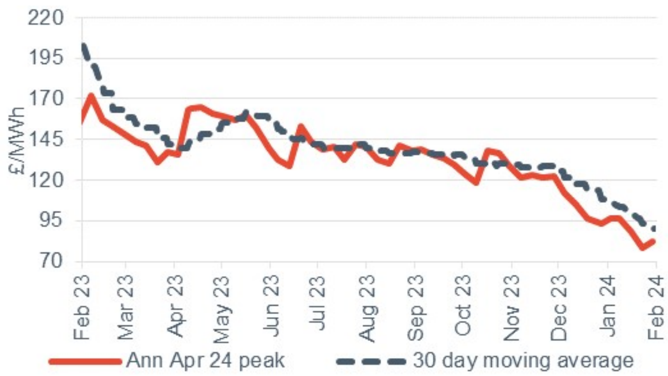
Peak electricity

- Day-ahead peak power was down 20.0% at £72.40/MWh, following its baseload counterpart lower
- Opposing this, March 24 peak power gained 5.4% at £72.3/MWh, and April 24 peak power increased 4.1% to £68.2/MWh.
- The annual April 24 peak power rose 2.0% to £83.55/MWh
- However, this is 51.5% lower than the same time last year (172.25/MWh).

Forward curve comparison

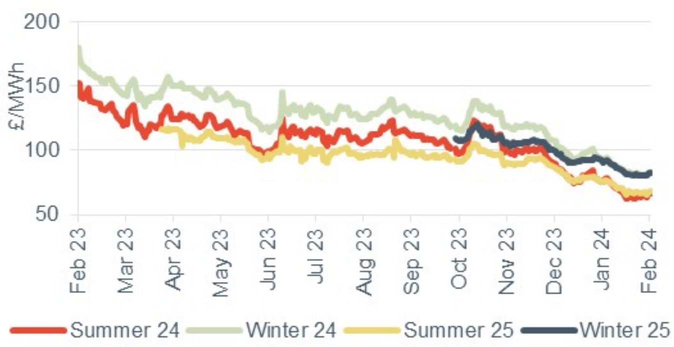


Annual April contract

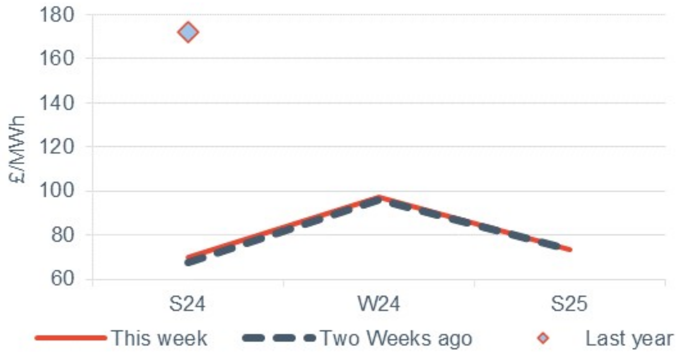


Seasonal power prices

Seasonal baseload power contracts



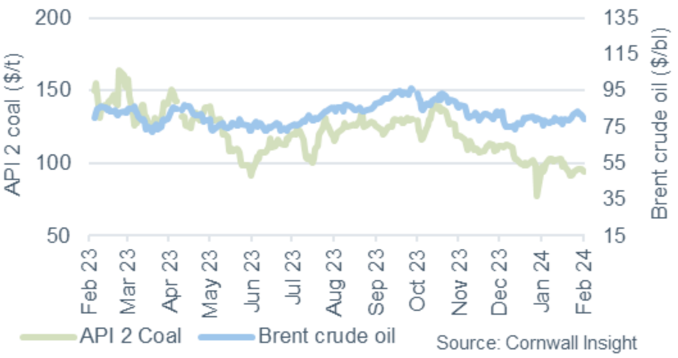
Seasonal peak power curve



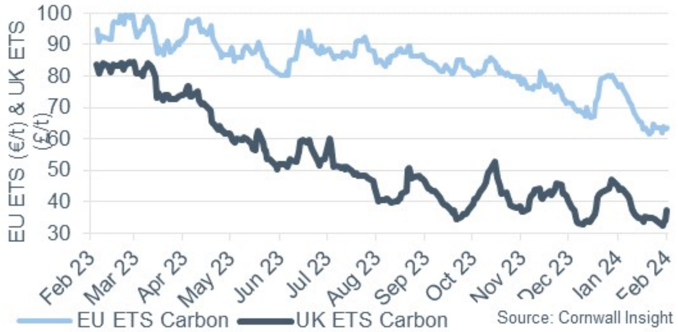
- All seasonal power contracts rose this week, up on average by 3.1%.
- Summer 24 and winter 24 increased 5.0% and 2.6% respectively, rising to £66.50/MWh and £83.10/MWh.
- All seasonal peak power contracts saw gains this week, rising 2.2% on average.
- Summer 24 and winter 24 peak power increased 3.1% and 1.3% respectively, rising to £69.85/MWh and £97.25/MWh.

Commodity price movements

Oil and coal



Carbon (UK and EU ETS)



- Continuing the trend of regaining value, brent crude saw bullish movements during the last week, rising 1.9% to average $81.68/bl, amid heightening tensions in the Middle East raising the possibility of supply disruption
- Likewise, OPEC+ reiterated that it will maintain production cuts for the first quarter of 2024, further tightening the global market
- However stronger gains were limited due to uncertainty surrounding growth across the Chinese property sector, acting to increase concerns surrounding crude oil demand across the country – in tandem with continued strong US production, acting to offset supply uncertainty
- Brent crude prices will remain volatile, as they continue to be reactive to wider geo-political developments. Recent price drivers include U.S. crude inventory levels, Chinese economic recovery, and the war in the Middle East - factors which remain highly changeable and therefore introduce uncertainty to implications on commodity prices

- Both ETS schemes registered week-on-week losses across the reporting period as the EU ETS carbon price fell 0.4% to €63.15/t and the UK ETS carbon price dropped 1.5% to £34.06/t, with the bearish movements driven by mild winter temperatures, higher wind generation acting to reduce reliance on more expensive forms of power generation, and reduced industrial demand across both the UK and EU
- As a result, UK ETS carbon fell to the lowest price recorded since the inception of the scheme in 2021, dropping to £32.30/t on 30 January
- Carbon prices reaching an all-time low will weigh upon clean spark spreads and make thermal generation more economical, resulting in lower incentives for renewable generation assets
- As the months warm up further, it can be expected that carbon prices will continue to fall, as lower heating demand reduces power demand in turn

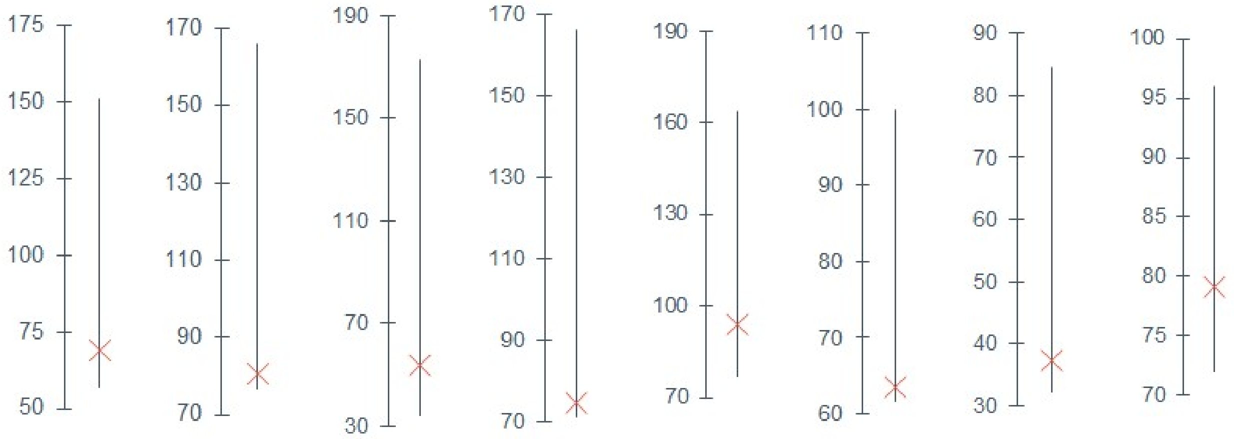
Supplier tariff movements

EDF introduced its EDF Essentials 1Yr Feb25v3 tariff, priced at £1,755/year on average. This was the cheapest tariff offered by a large supplier with no additional requirements as of 27 January. Outfox the Market offered the cheapest variable tariff on 27 January with its Fox Standard Dual tariff, priced at £1,850/year on average, £78/year below the January price cap level.

Wholesale price snapshot– Friday-on-Friday

		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	2 Feb 24	69.25	80.65	53.50	74.80	94.00	63.42	37.25	79.10
Last week	26 Jan 24	65.90	78.00	67.00	72.18	94.00	63.70	33.95	82.03
Four weeks ago	5 Jan 24	87.50	91.10	90.00	86.50	99.75	76.35	43.75	77.75
Last year	2 Feb 23	147.50	164.50	131.50	164.00	153.00	96.95	79.65	82.88
Year-on-year % change		-53.1%	-51.0%	-59.3%	-54.4%	-38.6%	-34.6%	-53.2%	-4.6%
12-month high		151.00	166.00	172.50	166.00	164.00	100.00	84.50	96.05
12-month low		57.00	76.65	34.00	71.38	77.30	61.65	32.30	72.05

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 23 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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