



# Energy Wholesale Market Review

Week Ending 18<sup>th</sup> November 2016



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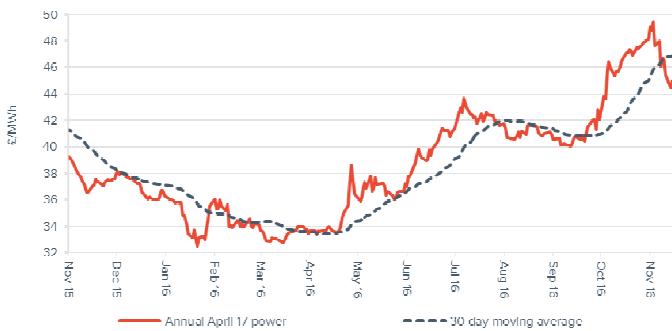
## Headlines 18/11/2016

All gas contracts and the majority of power contracts experienced losses this week, amid lower demand for power and gas, with higher temperatures and greater wind generation. The day-ahead baseload power contract went down 6.9% to £67.0/MWh. The month-ahead peak-power contract (December) was down slightly to £126.0/MWh, however the price of the contract is still higher than usual due to the continued French nuclear supply fears. All gas contracts declined, following oil prices lower and with temperatures above the seasonal norm. The month-ahead (December) contract lost 3.2% to 49.0p/th. Overall, seasonal gas contracts averaged a decrease of 1.7%. Brent crude oil prices lost 0.3% this week to average \$46.0/bl. Prices were pushed downwards as doubts remained over whether OPEC can come to an output agreement in its upcoming meeting. API 2 coal prices decreased 11.6% this week to average \$67.6/t. On Thursday 17 November, the price fell to a one-month low of \$64.0/t. EU ETS carbon prices slipped 8.0% to average €5.6/t.

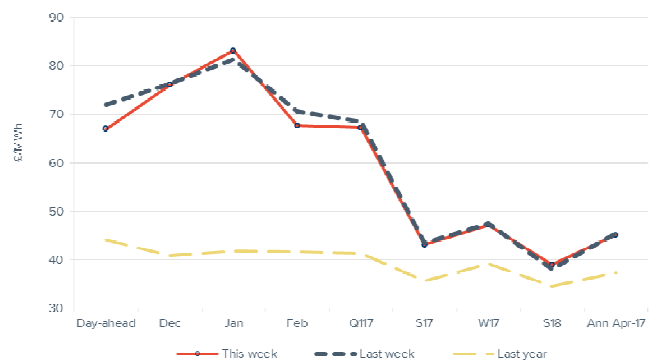
### Baseload electricity

- Most near-term baseload power contracts experienced losses this week, amid lower power demand levels.
- Annual April 17 power went down 0.6% to £45.1/MWh this week.
- The contract is now 3.8% below its level last month (£46.9/MWh), but 20.8% higher than its value last year (£37.4/MWh).
- The day-ahead contract went down 6.9% to £67.0/MWh, with falls at the start of the week.
- The month-ahead contract (December) fell 0.5% to £76.0/MWh. The contract was 7.0% higher than the same period last month (£71.0/MWh).

#### Annual April contract



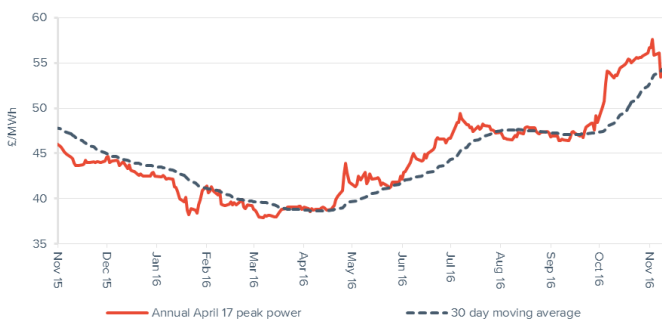
#### Forward curve comparison



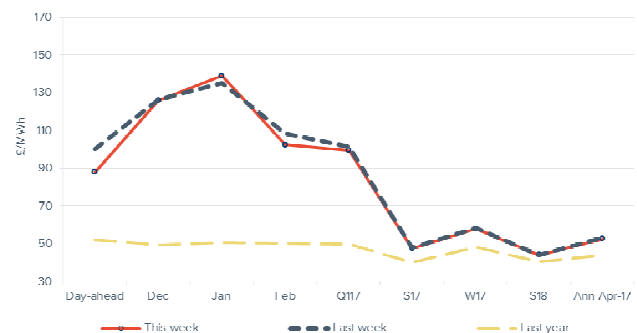
### Peak electricity

- Annual April 17 peak power went down 1.0% this week to £52.5/MWh.
- The contract is now 4.5% under its level last month (£55.0/MWh), but 19.4% above the same time last year (£44.0/MWh).
- Most near-term peak power contracts experienced losses this week.
- The month-ahead contract (December) was down slightly to £126.0/MWh.

#### Annual April contract



#### Forward curve comparison



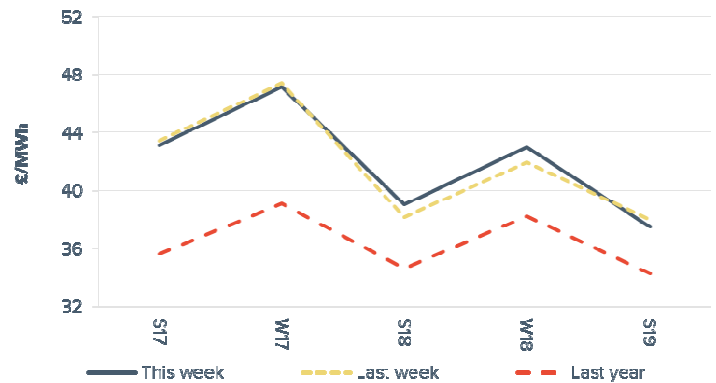


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve

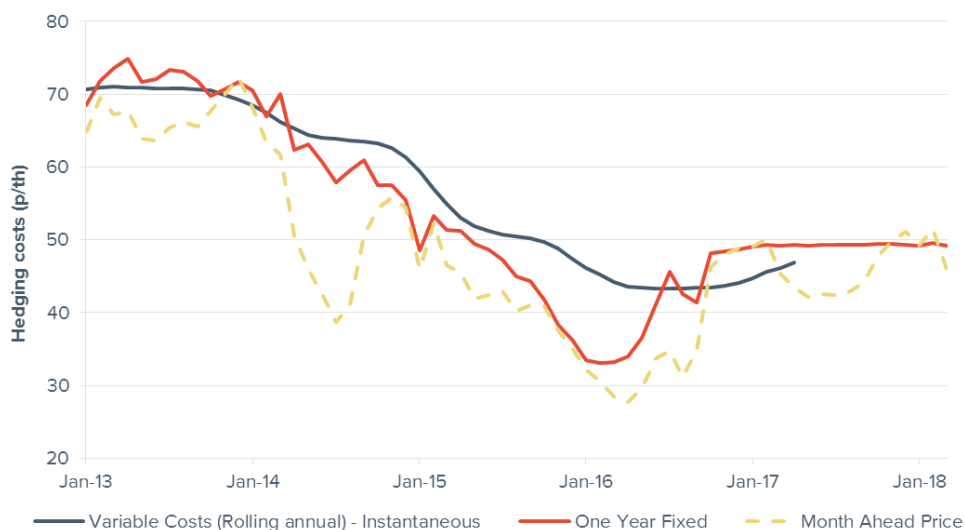


- Seasonal peak-power contracts experienced mixed movements.
- Summer 17 peak power decreased 0.8% to £47.4/MWh, while the winter 17 contract went down 1.1% to £57.7/MWh.
- Summer 17 baseload power fell by 0.7% to £43.1/MWh. In contrast, summer 18 baseload power climbed 2.2% to £39.0/MWh.

## Supplier hedging strategies

In October, commodity and power markets experienced gains. The annual April 17 gas contract climbed 13.9% to average 45.3p/th. The annual April 17 baseload power contract rose 13.7% to average £46.5/MWh, following the gas market higher. Brent crude oil prices lifted 9.5% to average \$51.6/bl, whilst API 2 coal went up 13.1% to average \$66.9/t.

The one-year fixed price shown below (red line) provides a fixed hedging cost for one year from the month after the month in question, based on the forward curve. This measure is used to create a benchmark for fixed tariff offers put into the market by suppliers. The instantaneous price (blue line) is representative of the hedging strategies of large suppliers, which typically purchase energy little and often to be consumed in a future period. Therefore, the instantaneous price shows a 'longer-hedged' strategy of buying power up to the current date, whereas the red line shows a 'shorter-hedged' strategy for a 12-month period looking forwards. Over the past two years it has been cheaper to use the shorter-hedged strategy as wholesale power prices have steadily declined. However, since July 2016 the longer-hedged strategy has been cheaper.





## Wholesale price snapshot

Key market indicators: 18/11/2016

	Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 18 Nov 16	47.25	44.21	67.00	45.13	64.00	5.71	46.49
Last week 11 Nov 16	48.05	44.58	72.00	45.40	75.00	5.82	45.35
Last month 21 Oct 16	45.30	45.66	90.00	46.93	67.00	5.65	51.55
Last year 20 Nov 15	37.60	35.80	44.10	37.35	47.10	8.58	44.44
Year-on-year % change	25.7%	23.5%	51.9%	20.8%	35.9%	-33.4%	4.6%
Year high	53.80	48.63	157.73	49.45	78.00	8.64	53.54
Year low	21.50	30.11	26.56	32.47	36.55	3.98	27.83

This table shows the price this week compared with prices from the previous week, month and year. The graphs show the position of this 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 16 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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