



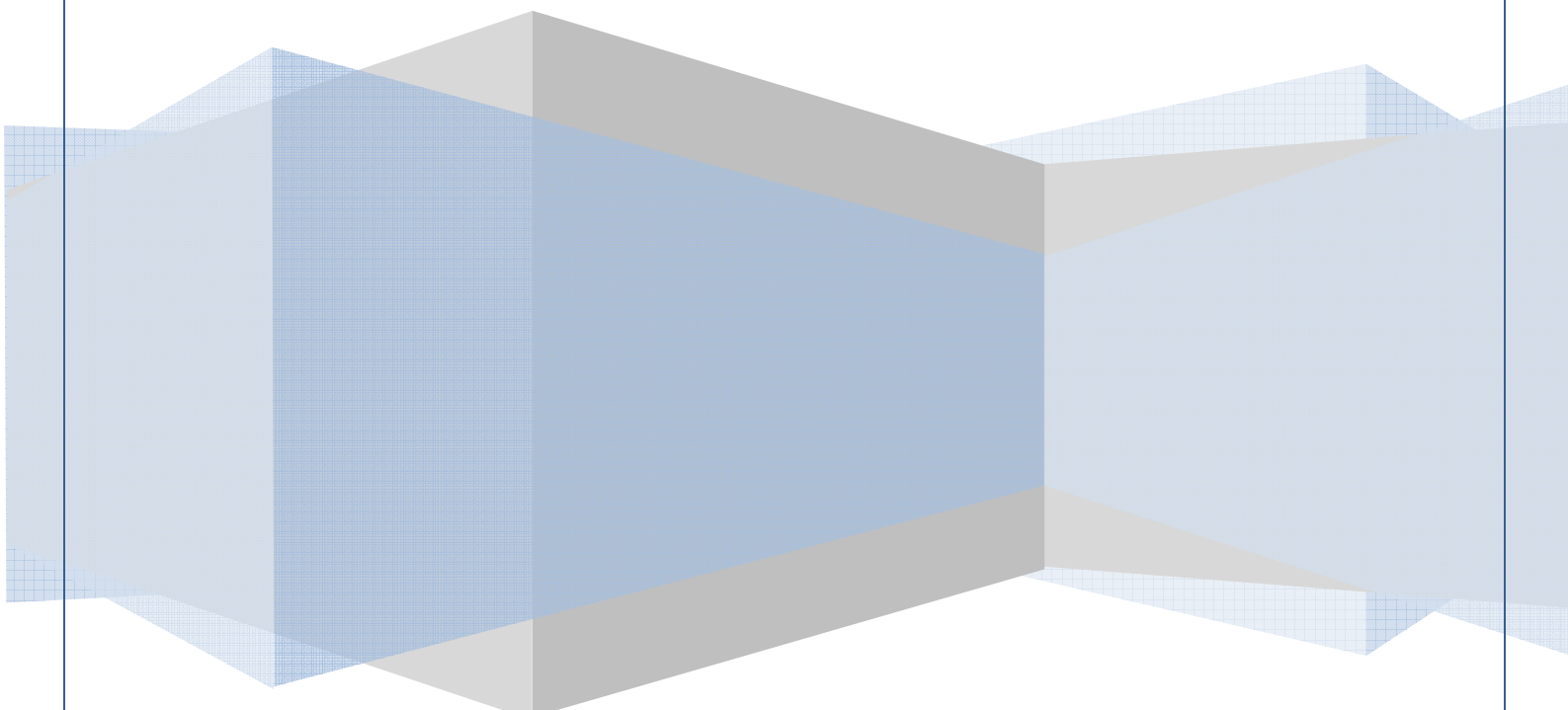
Energy Wholesale Market Review

Week Ending 6th January 2017



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

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





Contents

Baseload electricity.....	3
Peak electricity.....	3
Seasonal power prices	4
Supplier hedging strategies	4
Wholesale price snapshot	5
About EDW Technology Limited	6



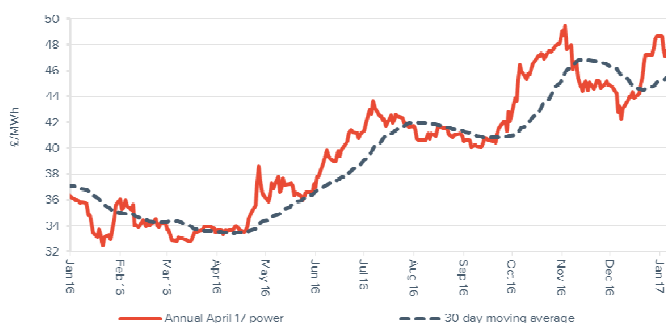
Headlines 06/01/2017

This week contracts moved forward as the new year began, with nearly all gas and power contracts experiencing losses, along with the price of coal and carbon. In contrast, oil prices increased. Day-ahead gas lost 5.1% to 50.6p/th, amid system oversupply on Friday. The new month-ahead (February) contract slipped 1.5% to 51.4p/th. On 9 December, gas withdrawals from Rough gas storage facility restarted, following restricted operations at the site due to safety checks. All seasonal gas contracts experienced losses. Day-ahead power fell 1.3% to £48.6/MWh, with higher wind generation forecast for Monday. The month-ahead contract decreased 8.8% to £54.0/MWh. The majority of seasonal contracts experienced losses. Brent crude oil prices gained 1.9% this week to average \$56.9/bl. Prices were supported as Saudi Arabia reported that production fell by at least 486,000bl/d in January. On Monday prices rose to an 18-month high of \$58.0/bl. API 2 coal prices slipped 0.9% to average \$67.4/t. On Thursday prices surged to \$69.0/t, a six-week high. EU ETS carbon prices fell by 6.9% to average €5.9/t.

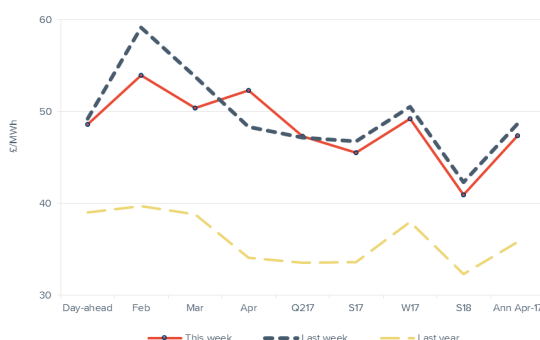
Baseload electricity

- Day-ahead power lost 1.3% to £48.6/MWh, with higher wind generation forecast for Monday.
- Annual April 17 power went down 2.6% to £47.4/MWh this week.
- The contract is now 10.0% above its level last month (£43.1/MWh), and 32.3% higher than last year (£35.8/MWh).
- Most near-term baseload power contracts decreased this week.
- Contracts moved forward this week. The new month-ahead contract (February) fell 8.8% to £54.0/MWh. The contract is now 7.7% higher than the same period last month (£50.1/MWh).

Annual April contract



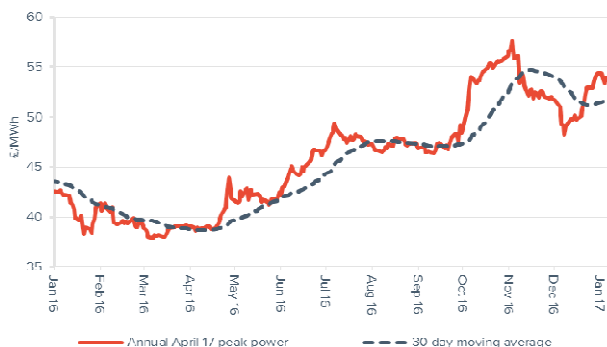
Forward curve comparison



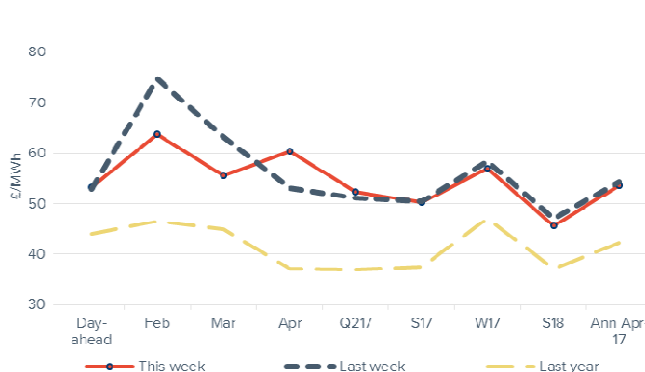
Peak electricity

- Annual April 17 peak power slipped 1.4% this week to £53.6/MWh.
- The contract is now 9.3% above its level last month (£49.1/MWh), and 27.0% above the same time last year (£42.2/MWh).
- Near-term peak power contracts experienced mixed movements this week.
- The new month-ahead contract (February) was down 14.7% to £63.8/MWh.

Annual April contract

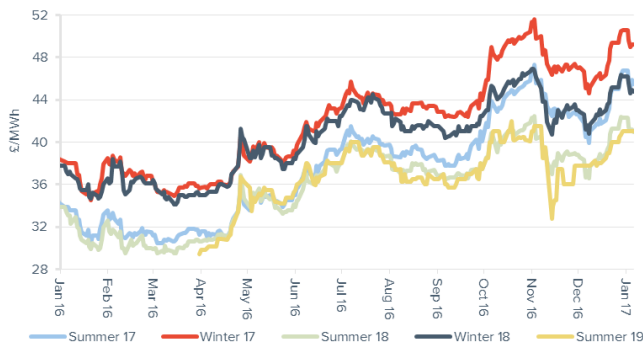


Forward curve comparison

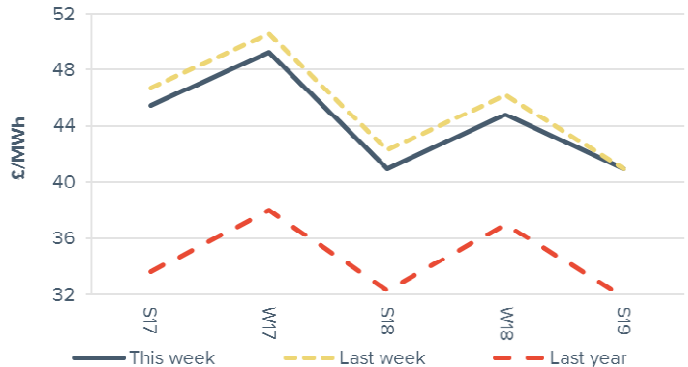


Seasonal power prices

Seasonal power contracts



Seasonal power curve



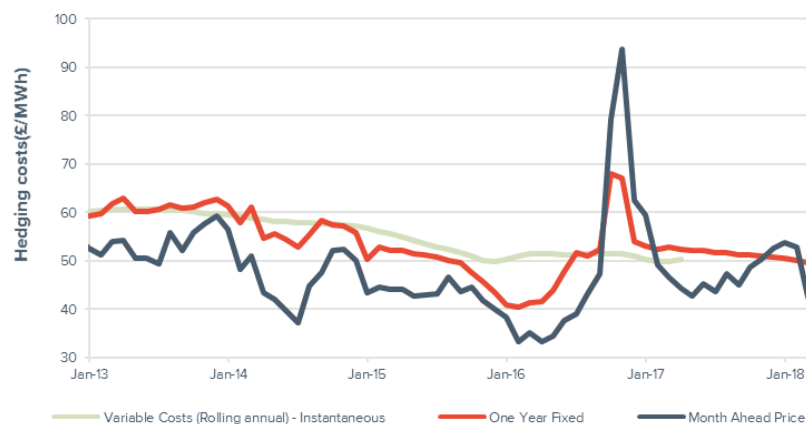
- Most seasonal peak-power contracts experienced losses.
- Summer 17 peak power decreased 0.3% to £50.2/MWh, while the winter 17 contract went down 2.4% to £57.1/MWh.
- Summer 17 baseload power declined 2.7% to £45.5/MWh. Winter 17 baseload power decreased 2.6% to £49.3/MWh.

Supplier hedging strategies

In December, most near-term power and gas contracts slipped. The annual April 17 gas contract fell 26.3% from November to average 48.9p/th. The annual April 17 baseload power contract went down 1.9% to average £45.1/MWh. On average seasonal gas and power contracts were relatively unchanged. Whereas API 2 coal went down 6.4% to average \$65.8/t and EU ETS carbon lost 8.0% to average €5.2/t. In contrast, Brent crude oil prices rose 16.2% to average \$54.9/bl in December.

There were 45 price changes to fixed domestic dual-fuel tariffs in December, 31 of which were increases and 14 were reductions. Most of the suppliers making price increases were independent suppliers, which relates to the use of a shorter-hedged strategy and rising wholesale costs in near-term contracts.

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: 06/01/2017

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	6 Jan 17	50.60	47.71	48.60	47.38	69.00	5.43	57.38
Last week	30 Dec 16	53.30	49.44	49.25	48.65	68.00	6.32	56.97
Last month	9 Dec 16	44.00	43.14	47.25	43.08	63.00	4.54	54.22
Last year	8 Jan 16	34.15	33.63	39.00	35.80	44.00	7.64	34.06
Year-on-year % change		48.2%	41.9%	24.6%	32.3%	56.8%	-28.9%	68.5%
Year high		53.80	48.63	157.73	49.45	78.00	8.33	56.62
Year low		21.50	30.11	26.56	32.47	36.55	3.98	27.83
<p>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.</p>		55	52	160	50	80	9.0	60
		50	48	140	48	75	8.0	55
		45	44	120	46	70	7.0	50
		40	40	100	44	65	6.0	45
		35	36	80	42	60	5.0	40
		30	32	60	40	55	4.0	35
		25	30	40	38	50	3.0	30
		20	28	20	32	35		25



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.

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

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