



Energy Wholesale Market Review

Week Ending 13th January 2017



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Contents

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

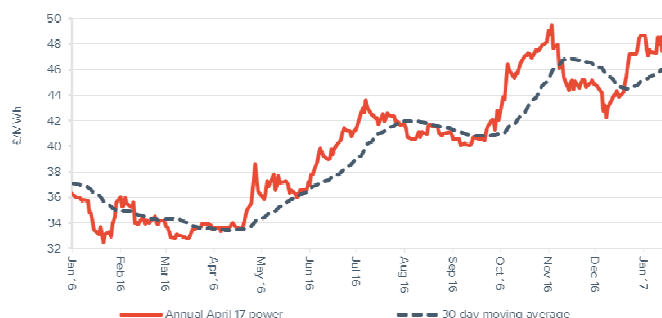
Headlines 13/01/2017

This week all gas contracts and most power contracts increased. In contrast, commodity prices experienced losses. Day-ahead gas gained 7.7% week-on-week to 54.5p/th, despite system oversupply on Friday. On Thursday, day-ahead gas reached 56.8p/th, the highest price in over two years, with the Met Office issuing national severe weather warnings for snow and wind. Day-ahead baseload power surged 17.8% to £57.3/MWh, with higher demand and lower wind generation forecast for Monday. The majority of seasonal contracts experienced gains, following gas prices upwards. Summer 17 power increased 0.7% to £45.8/MWh. Brent crude oil prices lost 2.8% this week to average \$55.3/bl. On Wednesday, prices reached a three-week low of \$54.1/bl. Prices slipped as doubts continued to linger over the likelihood of OPEC members fulfilling their agreed production cuts. API 2 coal prices slipped 3.4% to average \$65.1/t this week. EU ETS carbon prices fell by 9.3% to a weekly average of €5.3/t. On Friday, carbon prices reached a three-week low of €5.0/t.

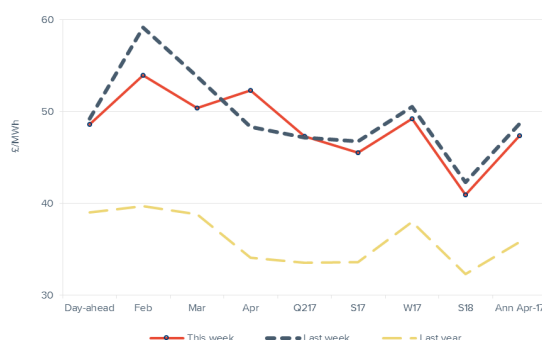
Baseload electricity

- Day-ahead power gained 17.8% to £57.3/MWh, with higher demand and lower wind generation forecast for Monday.
- Annual April 17 power went up 0.2% to £47.5/MWh.
- The contract is now 8.1% above its level last month (£43.9/MWh), and 41.9% higher than last year (£33.5/MWh).
- Most near-term baseload power contracts increased this week.
- The month-ahead contract (February) went up 3.3% to £55.8/MWh. The contract is now 9.8% higher than the same period last month (£50.8/MWh).

Annual April contract



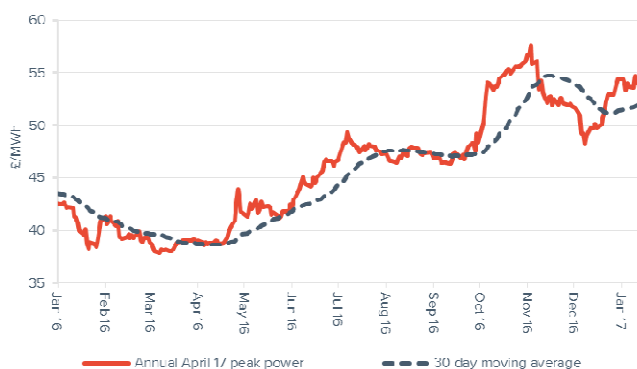
Forward curve comparison



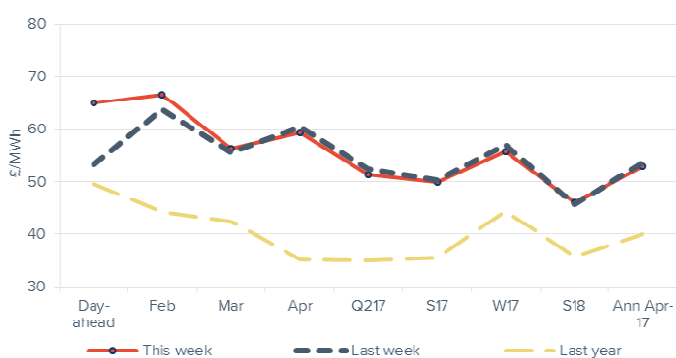
Peak electricity

- Annual April 17 peak power slipped 1.4% this week to £52.9/MWh.
- The contract is now 6.1% above its level last month (£49.8/MWh), and 32.3% above the same time last year (£40.0/MWh).
- Most near-term peak power contracts experienced gains this week.
- The month-ahead contract (February) was up 4.5% to £66.7/MWh.

Annual April contract

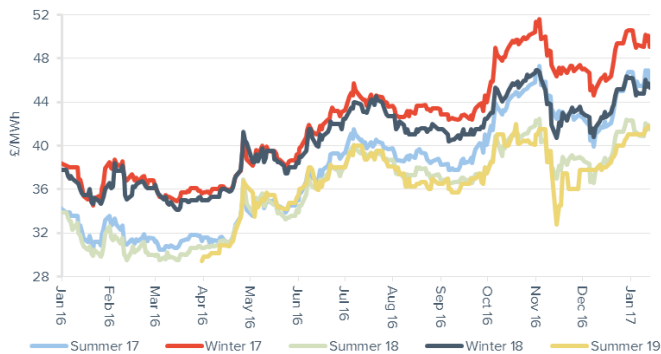


Forward curve comparison

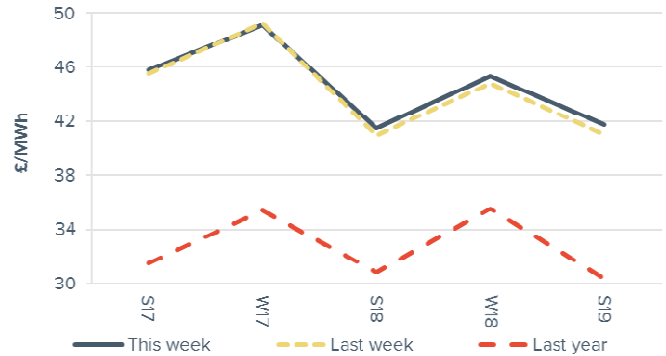


Seasonal power prices

Seasonal power contracts



Seasonal power curve



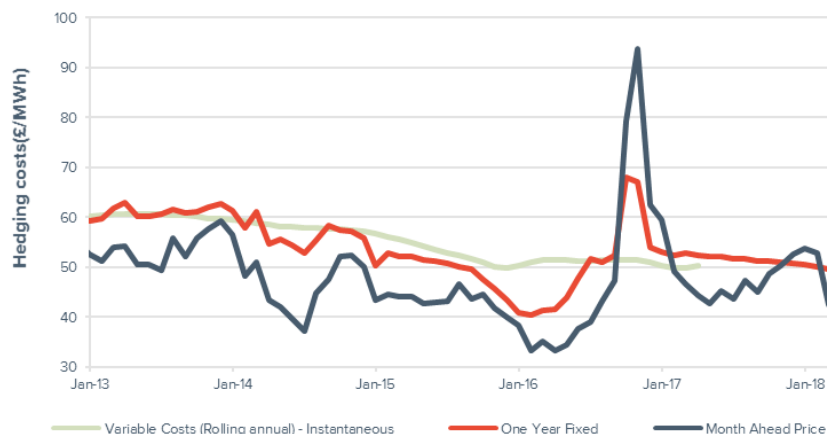
- Seasonal peak power contracts experienced mixed movements this week.
- Summer 17 power lost 0.6% to £49.9/MWh, whereas summer 18 power gained 0.9% to £46.0/MWh.
- Summer 17 power increased 0.7% to £45.8/MWh. In contrast, winter 17 power slipped 0.3% to £49.1/MWh.

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: 13/01/2017

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	13 Jan 17	54.50	48.78	57.25	47.45	67.55	5.03	55.35
Last week	6 Jan 17	50.60	47.71	48.60	47.38	69.00	5.43	57.38
Last month	16 Dec 16	45.00	44.09	52.50	43.88	67.25	4.62	53.77
Last year	15 Jan 16	32.30	31.22	40.25	33.45	37.80	6.79	29.64
Year-on-year % change		68.7%	56.2%	42.2%	41.9%	78.7%	-25.9%	86.7%
Year high		56.83	49.91	157.73	49.45	78.00	7.34	58.04
Year low		21.50	30.11	30.28	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>		60	52	160	50	80	8.0	60
		55	48	140	48	75	7.0	55
		50	44	120	46	70	6.0	50
		45	40	100	44	65	5.0	45
		40	36	80	42	60	4.0	40
		35	32	60	40	55	3.0	35
		30	28	40	38	50		30
		25		20	36	45		25
		20			34	40		
					32	35		



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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