

Energy Wholesale Market Review

Week Ending 20th January 2017



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

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

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Headlines 20/01/2017

This week most gas contracts experienced gains with higher gas demand amid lower temperatures. However, most near-term baseload power contracts decreased this week, despite higher power demand levels. The majority of seasonal baseload power contracts climbed, following gas prices upwards.

Day-ahead gas rose 1.5% week-on-week to 55.3p/th, amid higher than seasonal- normal demand and an undersupplied system. National system gas demand went up 6.2% this week to average 314.7mcm/day, with lower temperatures this week. The month-ahead contract climbed 0.3% to 54.8p/th.

Day-ahead baseload power declined 2.2% to £56.0/MWh, despite lower wind generation forecast for Monday. The month-ahead contract (February) went down 2.7% to £54.3/MWh.

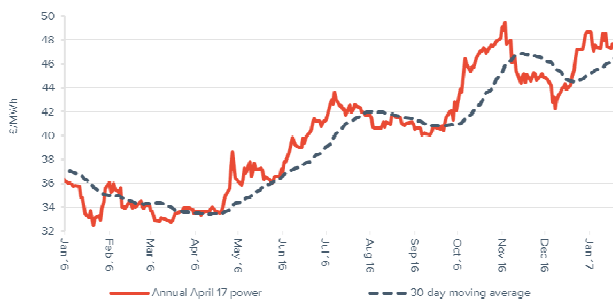
Brent crude oil prices ended the week on \$54.7/bl, a reduction of 1.2% on the previous week. Prices fell amid a stronger US dollar and US Energy Information Administration projections that US shale production would increase by 40,750bl/d in February.

API 2 coal prices lost 0.8% to \$67.0/t. EU ETS carbon prices went up by 3.2% to €5.2/t. EU ETS carbon prices hit a one-month low of €4.8/t on Monday.

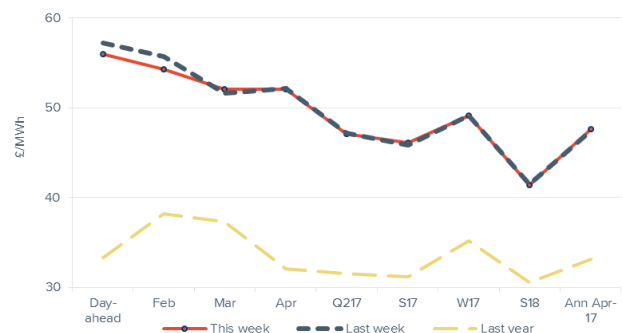
Baseload electricity

- Day-ahead power declined 2.2% to £56.0/MWh, despite lower wind generation forecast for Monday.
- Annual April 17 power went up 0.4% to £47.6/MWh this week. The contract is now 1.0% above its level last month (£47.2/MWh).
- Most near-term baseload power contracts decreased this week, despite higher demand levels.
- The month-ahead contract (February) went down 2.7% to £54.3/MWh.

Annual April contract



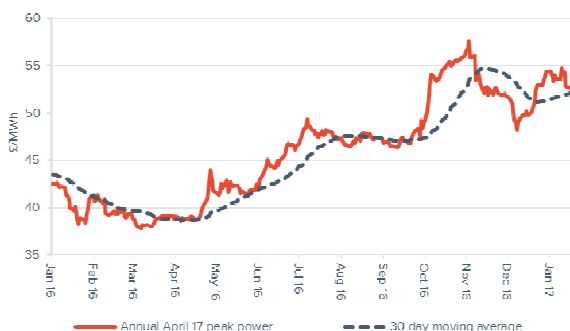
Forward curve comparison



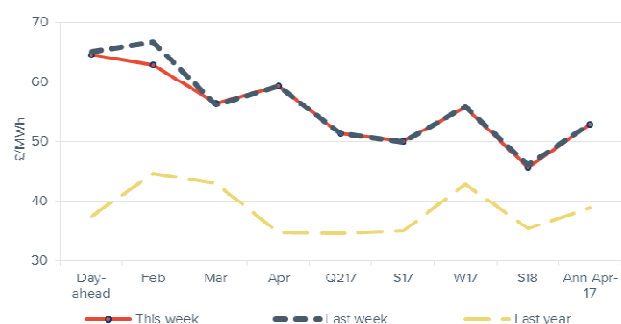
Peak electricity

- Annual April 17 peak power remained at £52.9/MWh this week.
- The contract is now 0.1% below its level last month (£52.9/MWh).
- Near-term peak power contracts experienced mixed movements this week.
- The month-ahead contract (February) was down 5.9% to £62.8/MWh.

Annual April contract

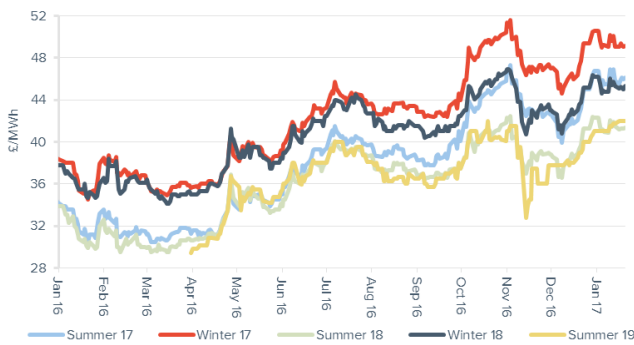


Forward curve comparison

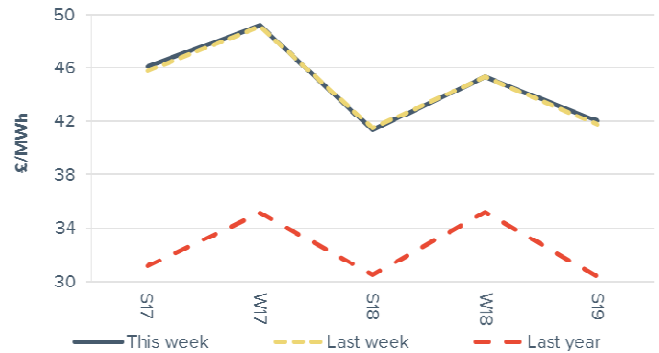


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Seasonal peak power contracts experienced mixed movements this week.
- Summer 17 peak power gained 0.4% to £50.1/MWh, whereas summer 18 peak power slipped 0.8% to £45.7/MWh.
- Summer 17 baseload power increased 0.7% to £46.1/MWh. In contrast, summer 18 baseload power slipped 0.4% to £41.4/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. 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 (green 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: 20/01/2017

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	20 Jan 17	55.30	49.08	56.00	47.63	67.00	5.19	54.71
Last week	13 Jan 17	54.50	48.78	57.25	47.45	67.55	5.03	55.35
Last month	23 Dec 16	48.20	47.35	44.00	47.18	68.00	6.24	54.65
Last year	22 Jan 16	29.80	31.29	33.25	33.15	39.00	6.41	30.86
Year-on-year % change		85.6%	56.9%	68.4%	43.7%	71.8%	-19.0%	77.3%
Year high		56.83	49.91	157.73	49.45	78.00	6.89	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	7.0	60
		55	48	140	48	75	6.5	55
		50	44	120	46	70	6.0	50
		45	40	100	44	65	5.5	45
		40	36	80	42	60	5.0	40
		35	32	60	40	55	4.5	35
		30	28	40	38	50	4.0	30
		25		20	36	45	3.5	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.

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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