



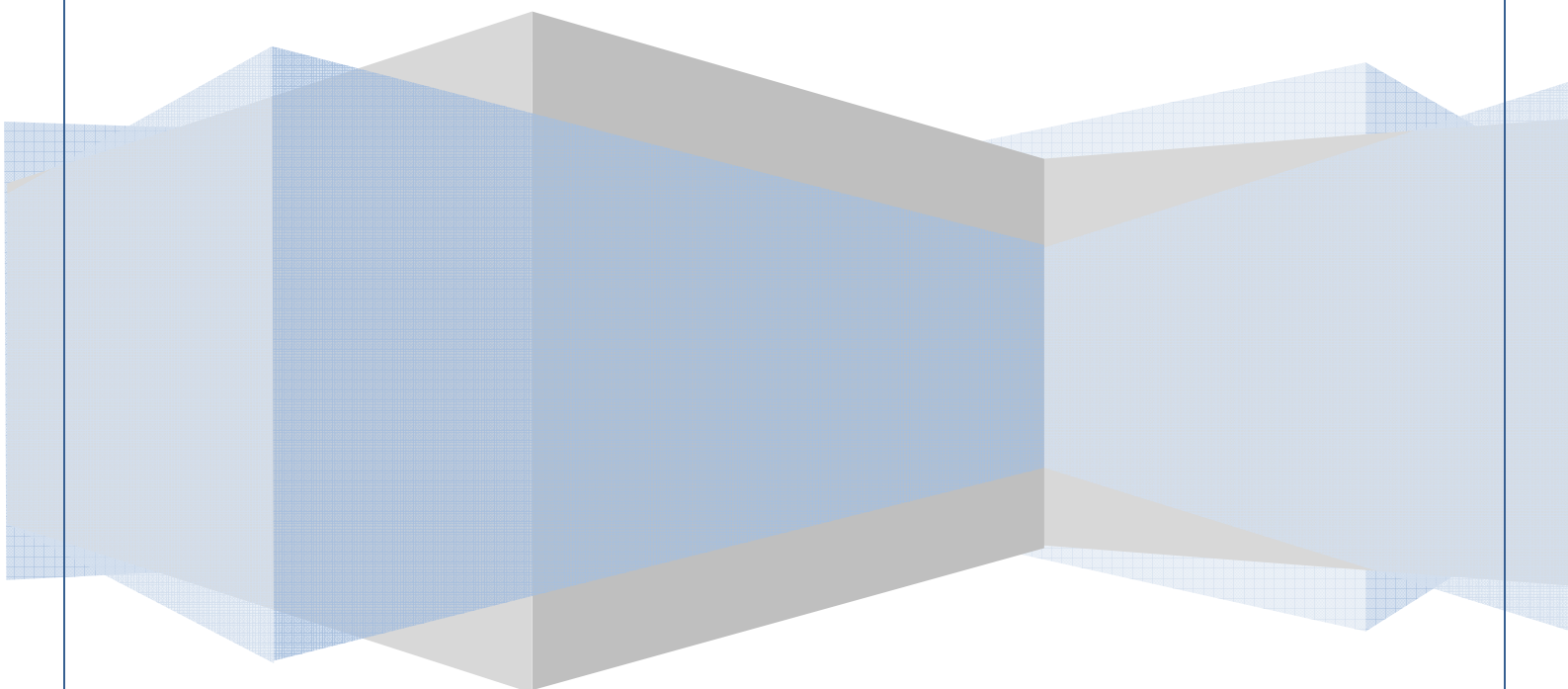
# Energy Wholesale Market Review

Week Ending 27<sup>th</sup> January 2017



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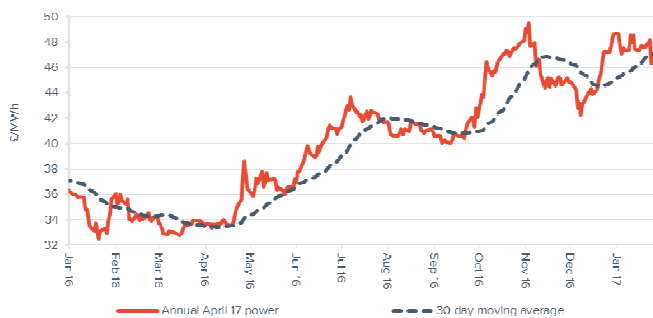
## Headlines 27/01/2017

This week, all gas contracts and near-term baseload power contracts decreased. The majority of seasonal baseload power contracts also experienced losses. Day-ahead power declined 12.1% to £49.3/MWh, with higher wind generation forecast for Monday. The month-ahead contract (February) went down 6.2% to £50.9/MWh. Day-ahead gas slipped 7.6% week-on-week to 51.1p/th, amid an oversupplied system on Friday. The month-ahead contract fell 5.9% to 51.6p/th. Week-on-week Brent crude oil prices rose 1.6% to end the week on \$55.6/bl. Across the week prices averaged \$55.3/bl, an increase of 0.2% on the week before. Prices were pushed upwards after Algeria's energy minister suggested that OPEC members and non-OPEC countries were due to hit their output reduction targets next month. Week-on-week API 2 coal prices slipped 3.7% to \$64.5/t on Friday. Across the week, average prices lost 1.0% to \$67.1/t. On Friday 27 January, prices slipped to a two-week low of \$64.5/t. Week-on-week EU ETS carbon prices fell by 2.3% to €5.1/t on Friday, but the weekly average gained by 3.6% to €5.1/t.

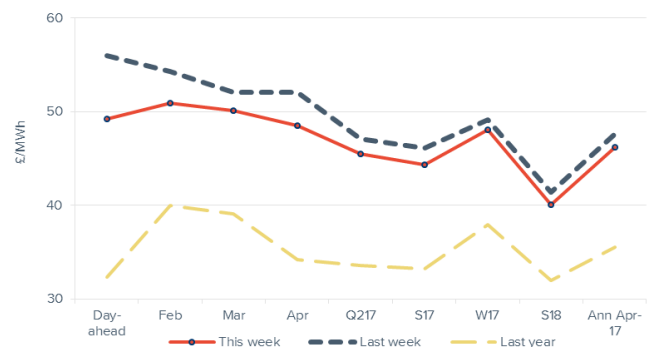
## Baseload electricity

- Day-ahead power declined 12.1% to £49.3/MWh, with higher wind generation forecast for Monday.
- Annual April 17 power decreased 3.0% to £46.2/MWh this week. Prices are 5.0% lower than last month (£48.7/MWh), but 30.0% higher than the same period last year (£35.6/MWh).
- All near-term baseload power contracts decreased this week, despite higher demand levels.
- The month-ahead contract (February) went down 6.2% to £50.9/MWh.

Annual April contract



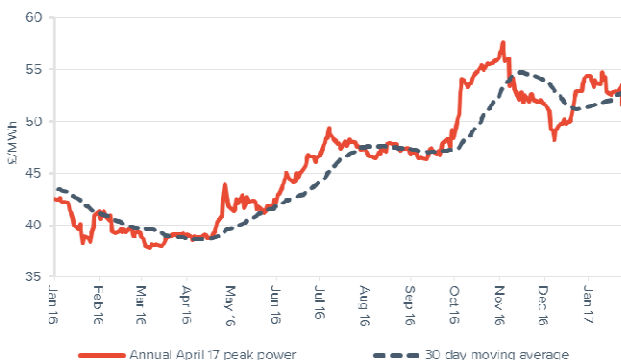
Forward curve comparison



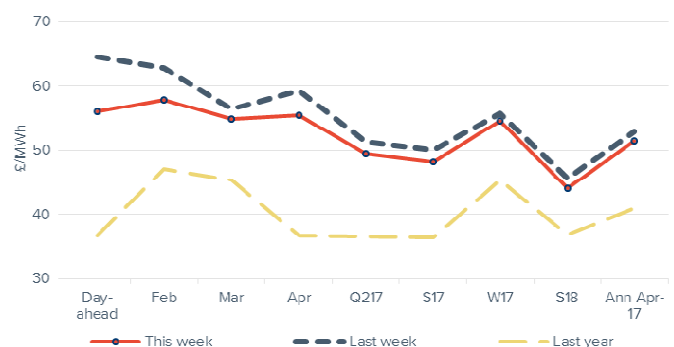
## Peak electricity

- Annual April 17 peak power slipped 2.8% to £51.4/MWh this week.
- The contract is now 5.5% below its level last month (£54.4/MWh), and 25.6% above the same time last year (£40.9/MWh).
- All near-term peak power contracts decreased this week.
- The month-ahead contract (February) was down 7.7% to £57.9/MWh.

Annual April contract

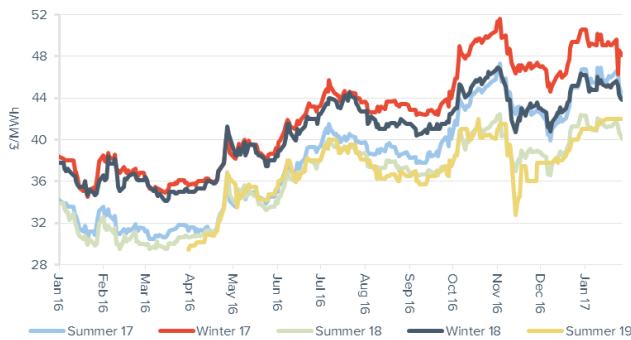


Forward curve comparison

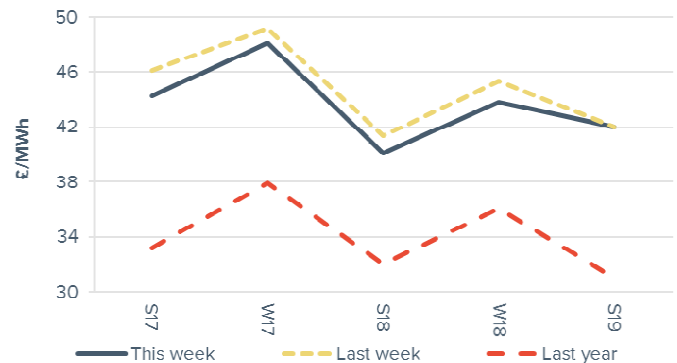


## Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



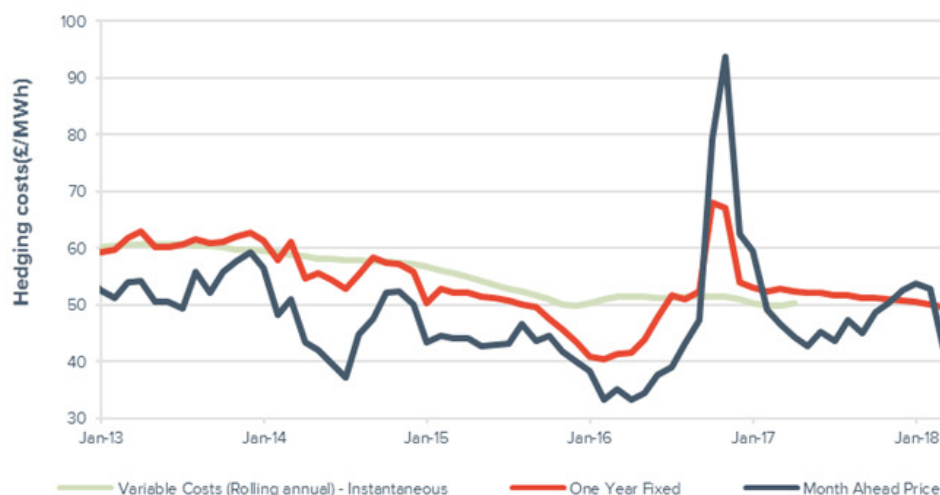
- Most seasonal peak power contracts also decreased, following the gas market lower.
- Summer 17 peak power lost 3.8% to £48.2/MWh, whereas summer 18 peak power slipped 3.5% to £44.1/MWh.
- Summer 17 baseload power went down 3.9% to £44.3/MWh. Winter 17 baseload power lost 2.1% to £48.1/MWh.

## 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. 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: 27/01/2017

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	27 Jan 17	51.10	46.99	49.25	46.20	64.50	5.07	55.60
Last week	20 Jan 17	55.30	49.08	56.00	47.63	67.00	5.19	54.71
Last month	30 Dec 16	53.30	49.44	49.25	48.65	68.00	6.32	56.97
Last year	29 Jan 16	30.35	33.66	32.35	35.55	39.30	6.08	33.95
Year-on-year % change		68.4%	39.6%	52.2%	30.0%	64.1%	-16.6%	63.8%
Year high		56.83	49.91	157.73	49.45	78.00	6.89	58.04
Year low		21.50	31.49	30.28	32.75	36.55	3.98	30.54

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.

Commodity	Unit	Year Range (Min-Max)	This Week Price
Gas	p/th	21.50 - 56.83	51.10
Electricity	£/MWh	30.28 - 157.73	49.25
Coal	\$/t	36.55 - 78.00	64.50
Carbon	€/t	3.98 - 6.89	5.07
Brent crude	\$/bl	30.54 - 58.04	55.60



## 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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