



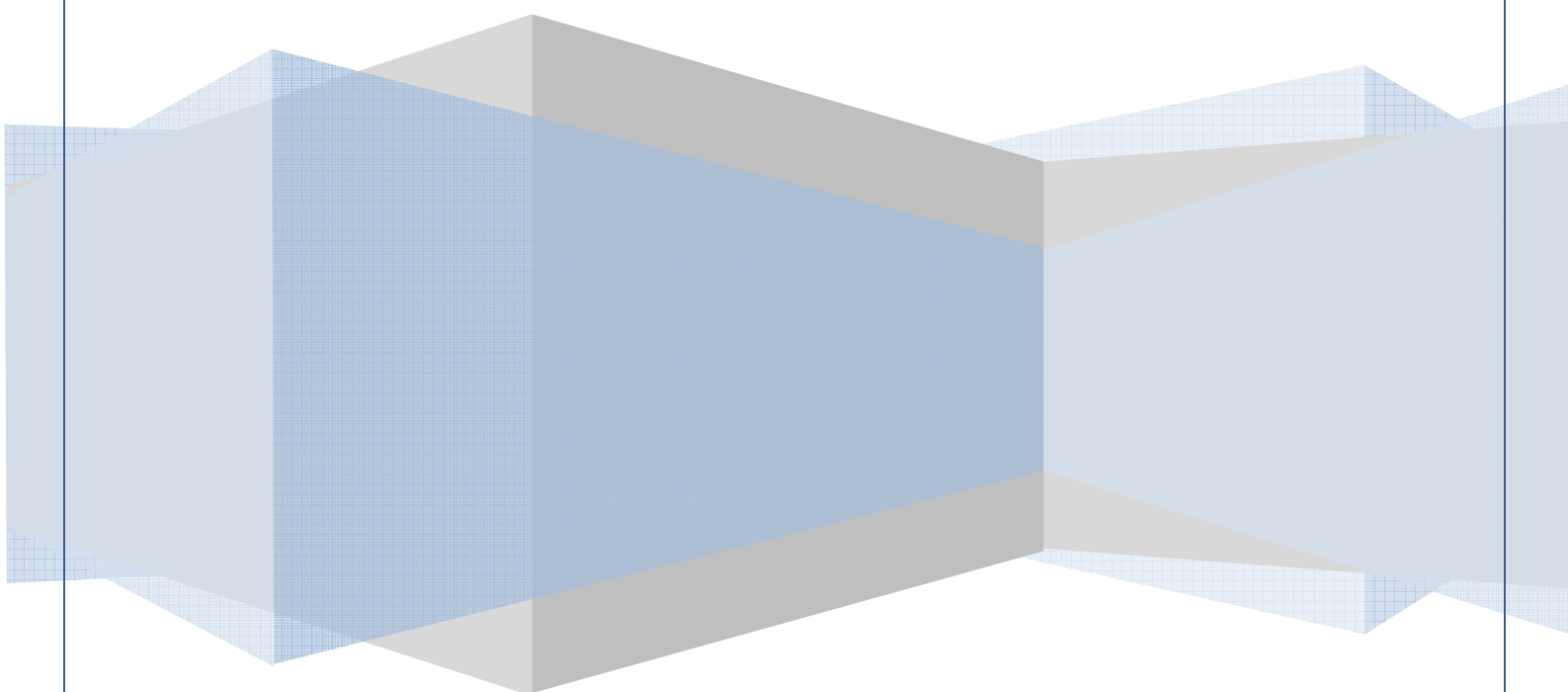
# Energy Wholesale Market Review

Week Ending 3<sup>rd</sup> February 2017



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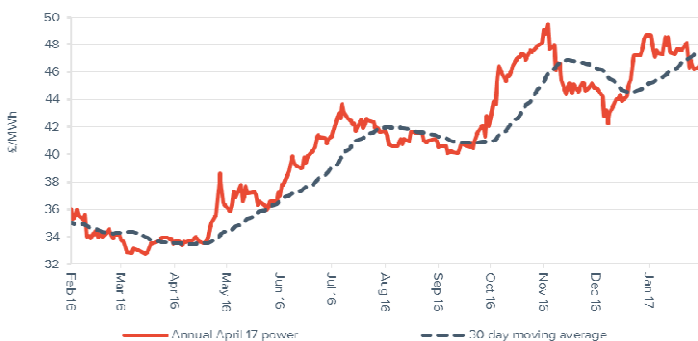
## Headlines 03/02/2017

This week all gas prices increased, with most baseload and peak power contracts following higher. Brent crude oil and EU ETS carbon prices both gained, whereas API 2 coal prices moved lower. All near-term baseload power contracts climbed this week, despite lower demand levels amid higher temperatures. Week-on-week, day-ahead power rose 13.7% to £56.0/MWh, with lower wind generation forecast for Monday. Contracts moved forward this week. The new month-ahead baseload power contract (March) went up 10.9% to £55.6/MWh, supported by higher gas prices. All gas contracts increased, despite lower demand amid higher temperatures. Day-ahead gas gained 19.4% week-on-week to 61.0p/th, its highest price since March 2014, owing to higher European gas prices and a weaker pound. The month-ahead contract went up 16.9% to 59.6p/th. Week-on-week Brent crude oil prices increased 2.3% to \$56.9/bl, and on average rose 1.6% to \$56.2/bl. On Thursday, prices leapt \$1.5/bl to \$57.4/bl, a four-week high. API 2 coal prices went up 5.4% week-on-week to \$68.0/t, but on average slipped by 1.5% to average \$66.1/t. EU ETS carbon prices gained by 2.9% to average €5.3/t. Week-on-week prices went up by 3.4% to €5.2/t.

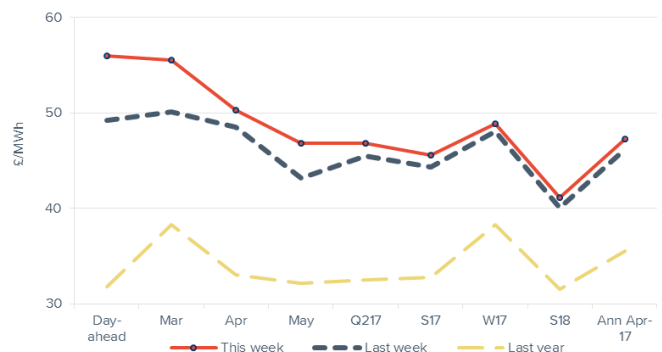
### Baseload electricity

- Week-on-week, day-ahead power rose 13.7% to £56.0/MWh, with higher gas prices and lower wind generation forecast for Monday.
- Annual April 17 power increased 2.2% to £47.2/MWh this week. Prices were 0.3% lower than last month (£47.4/MWh), but 32.9% higher than the same period last year (£35.5/MWh).
- All near-term baseload power contracts increased this week, despite lower demand levels amid higher temperatures.
- Contracts moved forward this week. The new month-ahead contract (March) went up 10.9% to £55.6/MWh, owing to a bullish gas market.

Annual April contract



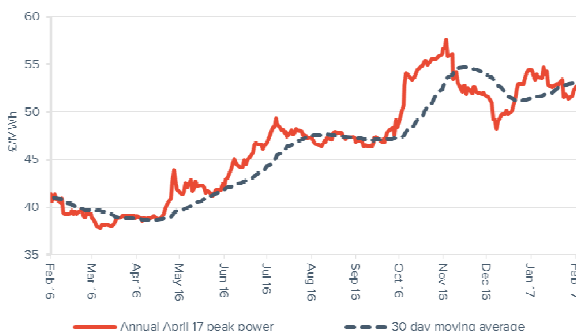
Forward curve comparison



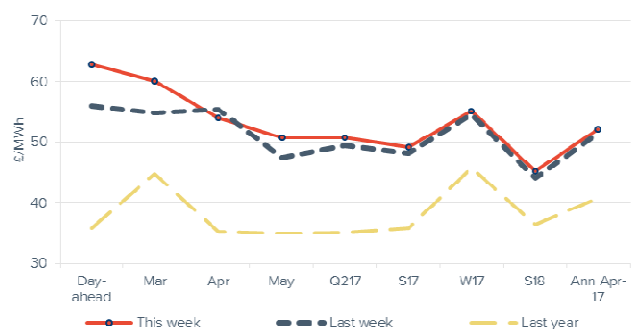
### Peak electricity

- Annual April 17 peak power gained 1.6% to £52.2/MWh this week.
- The contract is now 2.6% below its level last month (£53.6/MWh), but 27.8% above the same time last year (£40.9/MWh).
- Most near-term peak power contracts increased this week.
- The month-ahead contract (March) was up 9.5% to £60.1/MWh. In contrast, the April contract slipped 2.5% to £54.0/MWh.

Annual April contract



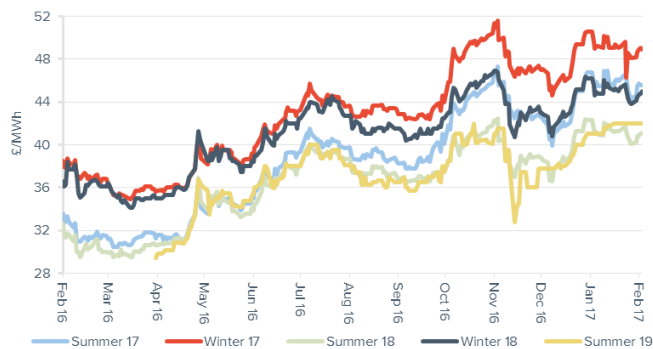
Forward curve comparison



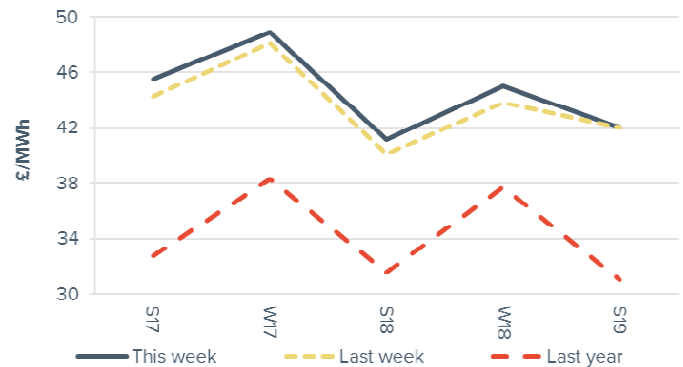


## Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



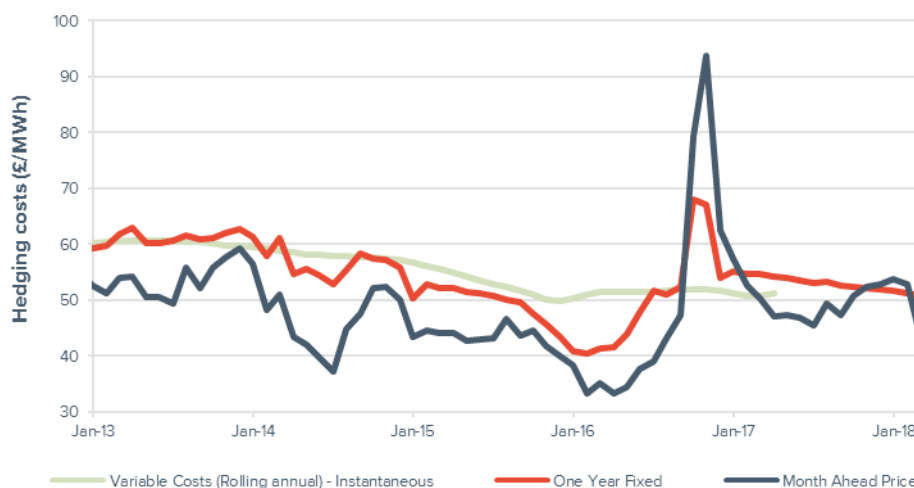
- Most seasonal peak power contracts also increased, following the gas market higher.
- Summer 17 peak power climbed 2.2% to £49.3/MWh. Winter 17 peak power went up 1.1% to £55.2/MWh.
- Summer 17 baseload power went up 2.8% to £45.6/MWh. Winter 17 baseload power gained 1.7% to £48.9/MWh.

## Supplier hedging strategies

In January, prices generally rose across commodity and power markets, owing largely to lower temperatures leading to increased gas and power demand. The annual April 17 gas contract increased 7.1% from December to average 48.4p/th. The annual April 17 baseload power contract climbed 5.1% to average £47.4/MWh. Brent crude oil prices went up 1.4% to average \$55.7/bl in January. API 2 coal prices fluctuated throughout the month, but on average went up 1.2% to \$66.7/t. EU ETS carbon prices varied between €4.8/t to €6.3/t, and on average increased 2.0% to €5.3/t.

There were 42 price changes to fixed domestic dual-fuel tariffs in January, 34 of which were increases and 8 were reductions. The larger number of tariff price increases reflects rising wholesale costs and higher third party charges.

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: 03/02/2017

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	3 Feb 17	6100	49.09	56.00	47.23	68.00	5.24	56.90
Last week	27 Jan 17	51.10	46.99	49.25	46.20	64.50	5.07	55.60
Last month	6 Jan 17	50.60	47.71	48.60	47.38	69.00	5.43	57.38
Last year	5 Feb 16	28.80	32.84	3180	35.53	38.20	5.60	34.54
Year-on-year % change		1118%	49.5%	76.1%	32.9%	78.0%	-6.4%	64.7%
Year high		6100	49.91	157.73	49.45	78.00	6.89	58.04
Year low		2150	3149	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.



## 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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