



# Energy Wholesale Market Review

Week Ending 10<sup>th</sup> February 2017



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

**Phone:** +44 (0)8448 802 489  
**Email:** [info@edwtech.com](mailto:info@edwtech.com)  
**Website:** [edwtech.com](http://edwtech.com)



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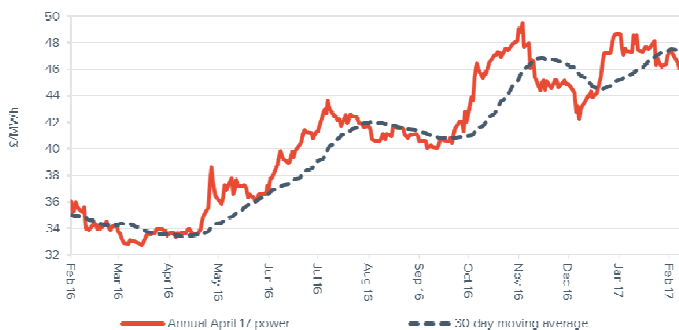
## Headlines 10/02/2017

This week all gas prices and the majority of power prices decreased, despite higher demand levels due to lower temperatures. On average, Brent crude oil and EU ETS carbon prices also experienced losses. In contrast, average API 2 coal prices moved higher. Day-ahead gas lost 13.6% week-on-week to 52.7p/th, amid an oversupplied system on Friday. The month-ahead contract went down 13.1% to 51.8p/th. All seasonal gas contracts experienced losses, falling by an average of 1.9%. Week-on-week, day-ahead power slipped 10.3% to £50.3/MWh, with lower gas prices and higher wind generation forecast for Monday. The month-ahead contract (March) went down 10.1% to £50.0/MWh, owing to a bearish gas market. The majority of seasonal contracts experienced losses, also following gas prices downward. Brent crude oil prices slipped 0.6% this week to average \$55.8/bl, and week-on-week prices lost 1.1% to \$56.3/bl. On Wednesday, prices slipped to \$54.7/bl, a three-week low, after American Petroleum Institute data showed US crude supplies increased by 14.2mn barrels last week. API 2 coal prices went down 2.2% week-on-week to \$66.5/t, but on average gained by 0.9% to average \$66.7/t. EU ETS carbon prices declined by 1.3% to average €5.2/t, however week-on-week gained 1.1% to €5.3/t.

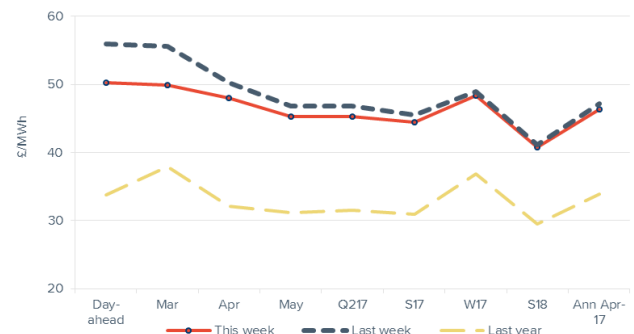
## Baseload electricity

- Week-on-week, day-ahead power slipped 10.3% to £50.3/MWh, with lower gas prices and higher wind generation forecast for Monday.
- Annual April 17 power decreased 1.8% to £46.4/MWh this week. Prices were 2.3% lower than last month (£47.5/MWh).
- All near-term baseload power contracts decreased this week, despite higher demand levels amid lower temperatures.
- The month-ahead contract (March) went down 10.1% to £50.0/MWh, amid a bearish gas market and milder temperatures forecast for March.

### Annual April contract



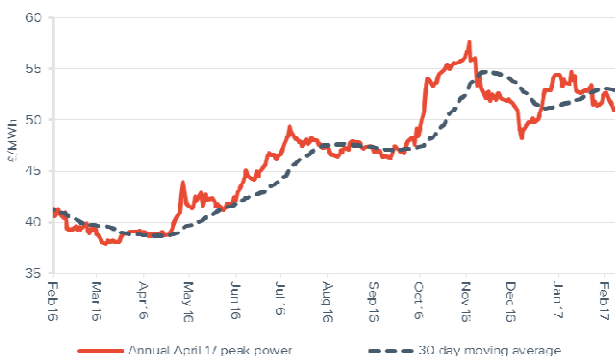
### Forward curve comparison



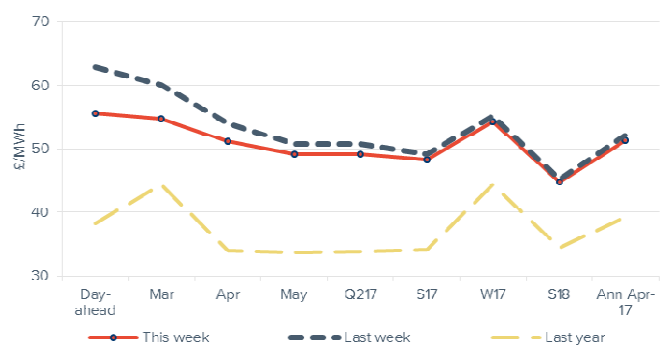
## Peak electricity

- Annual April 17 peak power declined 1.7% to £51.3/MWh this week.
- The contract is now 2.9% below its level last month (£52.9/MWh), but 30.8% above the same time last year (£39.3/MWh).
- All near-term peak power contracts decreased this week, following the gas market lower.
- The month-ahead contract (March) was down 8.8% to £54.8/MWh.

### Annual April contract

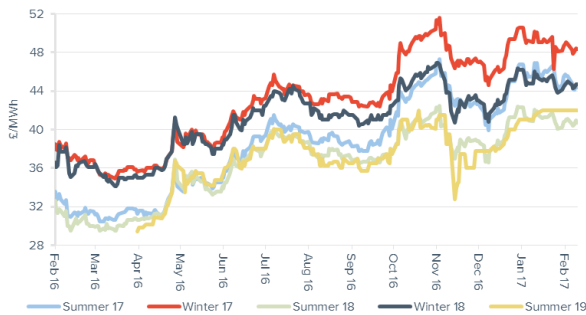


### Forward curve comparison

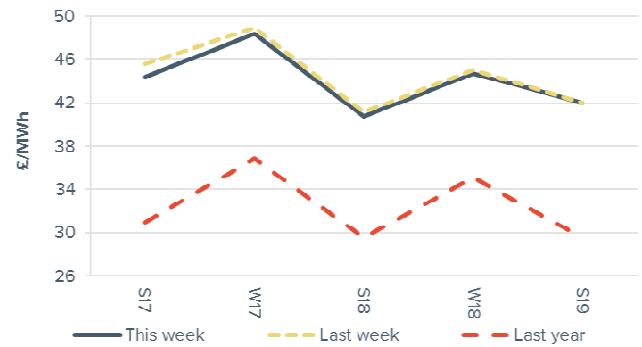


## Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



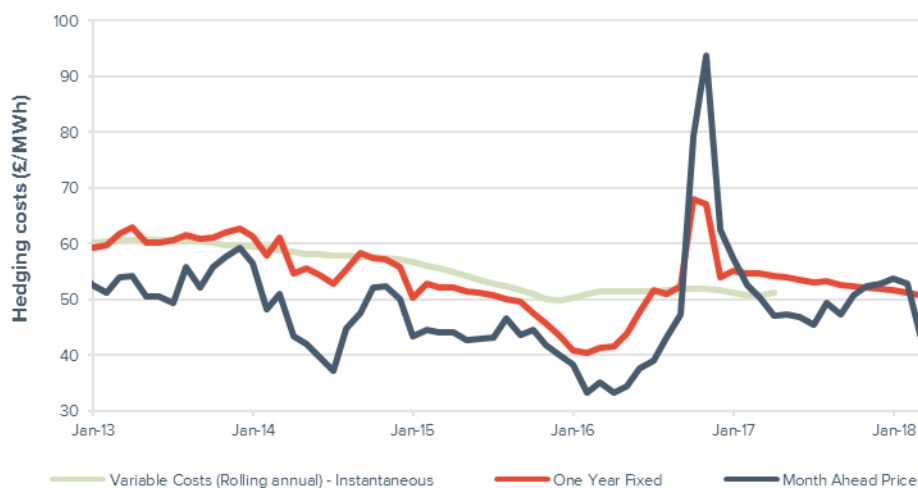
- Most seasonal peak power contracts also experienced losses, following the gas market downwards.
- Summer 17 peak power went down 1.9% to £48.3/MWh. Winter 17 peak power fell 1.5% to £54.4/MWh.
- Summer 17 baseload power went down 2.5% to £44.4/MWh. Winter 17 baseload power slipped 1.1% to £48.4/MWh.

## 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: 10/02/2017

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	10 Feb 17	52.70	47.92	50.25	46.38	66.50	5.30	56.29
Last week	3 Feb 17	61.00	49.09	56.00	47.23	68.00	5.24	56.90
Last month	13 Jan 17	54.50	48.78	57.25	47.45	67.55	5.03	55.35
Last year	12 Feb 16	29.00	32.11	33.80	33.90	37.10	4.97	31.25
Year-on-year % change		81.7%	49.2%	48.7%	36.8%	79.2%	6.6%	80.1%
Year high		61.00	49.91	57.73	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.



## 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](http://www.edwtech.com)

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