



Energy Wholesale Market Review

Week Ending 17th February 2017



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

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



Contents

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

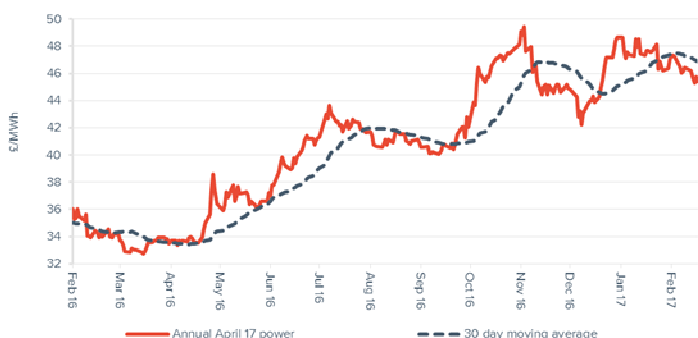
Headlines 17/02/2017

Gas and power contracts fell across the board this week, with many contracts slipping to multi-month lows. Day-ahead gas lost 9.8% week-on-week to 47.6p/th, a two-month low, driven by lower demand amid milder temperatures and higher wind output. The month-ahead contract went down 6.7% to 48.3p/th, and the summer 17 contract trimmed 3.6% to 43.7p/th. It was announced that GB's largest gas storage facility, Rough, will be unable to inject further gas until July this year. This will lower injection demand during this period and has weighed on gas contracts out to summer 17. Power contracts followed their gas counterparts. Day-ahead power slipped 8.0% to £46.3/MWh, nearly a two-month low, while the month-ahead power contract (March) went down 6.1% to £46.9/MWh. Week-on-week, Brent crude oil prices declined 1.6% to \$55.4/bl. Prices began the week at \$56.4/bl but steadily declined to \$55.4/bl by Friday as concerns over potential increases in US production outweighed reports that OPEC have been delivering their agreed production cuts. EU ETS carbon prices declined by 3.1% to average €5.0/t, and hit a one-month low of €4.9/t on Friday. The vote by the European Parliament on Wednesday backing proposals to reform the EU ETS beyond 2021 had little effect on the current market, which remains oversupplied.

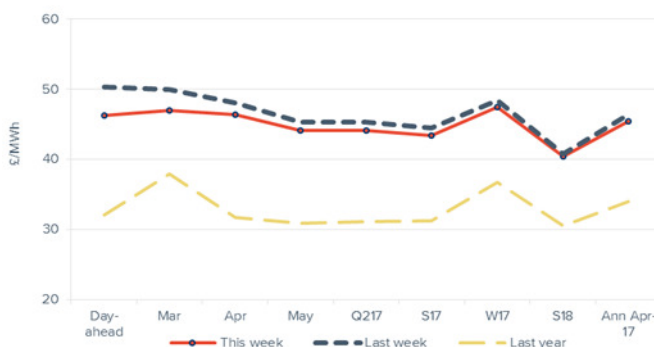
Baseload electricity

- All near-term baseload power contracts decreased this week, owing to decreased demand, higher wind output and lower gas prices.
- Week-on-week, day-ahead power slipped 8.0% to £46.3/MWh, nearly a two-month low. The month-ahead contract (March) went down 6.1% to £46.9/MWh.
- The annual contract also experienced losses, driven by bearish commodity markets.
- Annual April 17 power fell 2.0% to £45.4/MWh this week. Prices were 4.6% lower than last month (£47.6/MWh), but 33.7% higher than the same period last year (£34.0/MWh).

Annual April contract



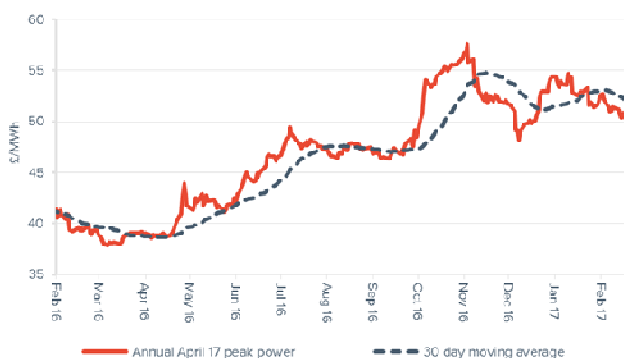
Forward curve comparison



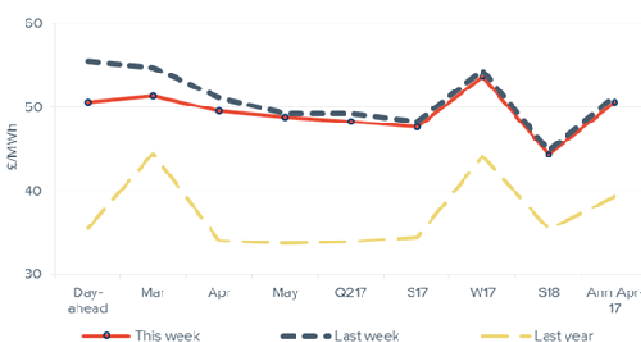
Peak electricity

- All near-term peak power contracts decreased this week, driven by a decline in daily power demand and lower commodity prices.
- The day-ahead contract moved 8.8% lower to £50.6/MWh, a seven-week low. The month-ahead contract (March) was down 6.3% to £51.3/MWh.
- The annual peak power contract also experienced losses, following the gas market downwards.
- Annual April 17 peak power declined 1.4% to £50.6/MWh this week. The contract is now 4.3% below its level last month (£52.9/MWh).

Annual April contract



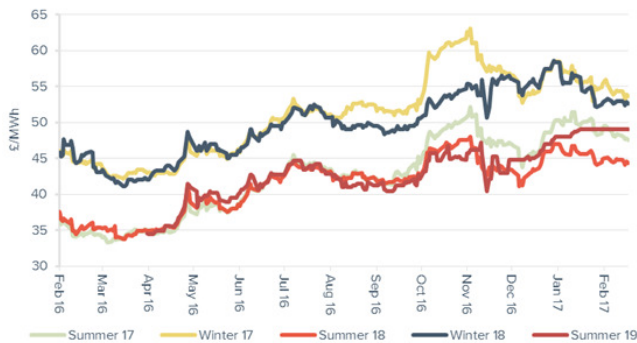
Forward curve comparison



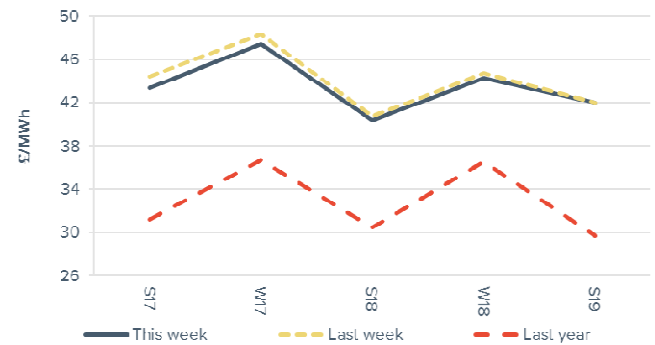


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



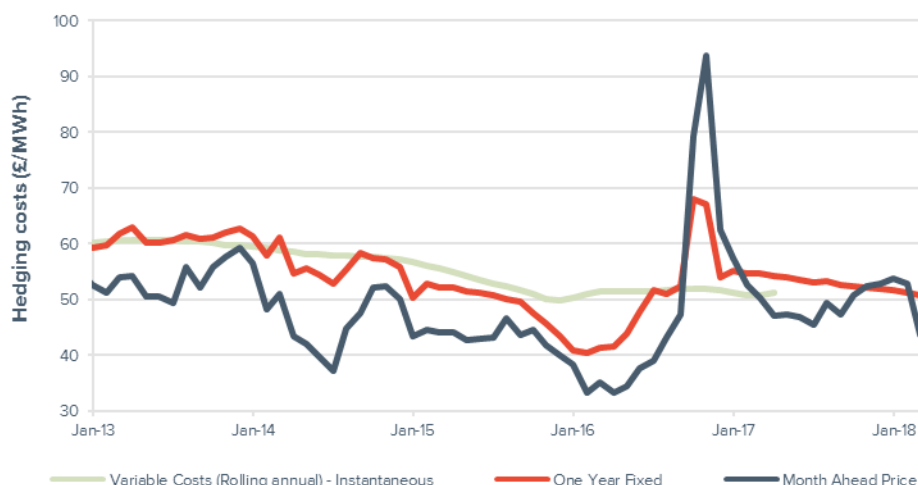
- The majority of seasonal contracts also experienced losses, driven by bearish commodity markets.
- Summer 17 power went down 2.3% to £43.4/MWh, nearly a two-month low. Winter 17 power slipped 1.9% to £47.5/MWh.
- Summer 17 peak power went down 1.4% to £47.6/MWh.
- Winter 17 peak power trimmed 1.3% to £53.7/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	17 Feb 17	47.55	46.66	46.25	45.43	67.25	4.88	55.40
Last week	10 Feb 17	52.70	47.92	50.25	46.38	66.50	5.30	56.29
Last month	20 Jan 17	55.30	49.08	56.00	47.63	67.00	5.19	54.71
Last year	19 Feb 16	29.35	32.67	32.00	33.98	38.40	5.30	33.77
Year-on-year % change		62.0%	42.8%	44.5%	33.7%	75.1%	-7.9%	64.1%
Year high		61.00	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
<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>		65	50	160	50	80	7.0	60
		60		140	48	75	6.5	55
		55	46	120	46	70	6.0	50
		50		100	44	65	5.5	45
		45	42	80	42	60	5.0	40
		40	38	60	40	55	4.5	35
		35	34	40	38	50	4.0	30
		30	30	20	36	45	3.5	
		25			34	40		
		20			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

Copyright © 2017 EDW Technology Limited. All rights reserved.

No part of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or translated into any language, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission from EDW Technology Limited.

All copyright, confidential information, patents, design rights and all other intellectual property rights of whatsoever nature contained herein are and shall remain the sole and exclusive property of EDW Technology Limited. The information furnished herein is believed to be accurate and reliable. However, no responsibility is assumed by EDW Technology Limited for its use, or for any infringements of patents or other rights of third parties resulting from its use.