



Energy Wholesale Market Review

Week Ending 24th February 2017



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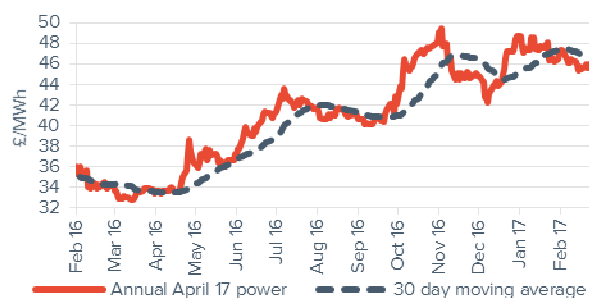
Headlines 24/02/2017

The majority of near-term gas and power contracts experienced losses this week, driven by milder temperatures. In contrast, seasonal gas and power contracts mostly gained. Day-ahead gas lost 2.7% week-on-week to 46.3p/th, amid an oversupplied system on Friday. The month-ahead contract slipped 4.6% to 46.1p/th. In contrast, most seasonal gas contracts experienced slight gains. The only exception was summer 17 gas, which lost 0.4% to 43.5p/th, with lower than expected gas injection demand, amid injection outages at Rough gas storage site, leading to higher system supply levels. Most near-term baseload power contracts decreased this week, following the gas market downwards and owing to lower power demand due to milder temperatures. The only exception was day-ahead baseload power, which week-on-week gained 0.3% to £46.4/MWh. Prices dipped midweek however as a result of high levels of wind generation. The month-ahead contract lost 1.8% to £46.1/MWh. On average, Brent crude oil prices were little changed this week, lifting 0.7% to average \$56.3/bl. Week-on-week prices rose by 1.6% to \$56.3/bl. On Tuesday, prices reached a two-week high of \$56.9/bl. Prices were supported by optimism regarding the success of OPEC-led production cuts and growing Asian demand. API 2 coal prices went up 2.9% to average \$68.1/t. Week-on-week, prices gained 2.0% to \$68.6/t. On Monday, prices reached a three-month high of \$69.2/t. EU ETS carbon prices gained 2.0% this week to average €5.1/t. Week-on-week prices rose 9.8% to €5.4/t.

Baseload Electricity

- Most near-term baseload power contracts decreased this week, following the gas market downwards and owing to lower power demand.
- The only exception was day-ahead baseload power, which week-on-week gained 0.3% to £46.4/MWh, with low wind generation forecast for Monday.
- Annual April 17 power increased 0.3% to £45.6/MWh this week.
- Prices were 1.4% lower than last month (£46.2/MWh), but 33.2% higher than the same period last year (£34.2/MWh).

Annual April Contract



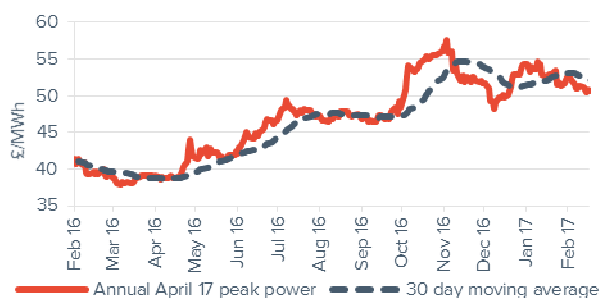
Forward Curve Comparison



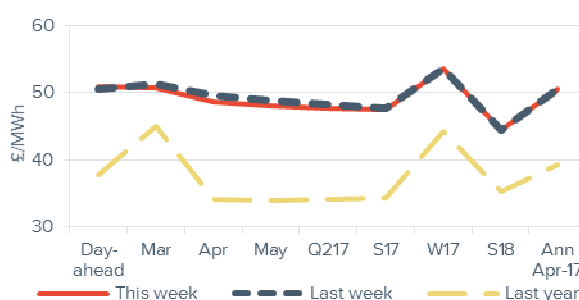
Peak Electricity

- Most near-term peak power contracts declined this week, driven by lower power demand with an increase in temperatures.
- The only exception was day-ahead power, which climbed 0.8% to £51.0/MWh. The contract was £4.6/MWh above its baseload counterpart.
- Annual April 17 peak power remained unchanged at £50.6/MWh this week. The contract was £5.0/MWh above its baseload counterpart.
- The contract is now 1.6% below its level last month (£51.4/MWh), but 28.7% above the same time last year (£39.3/MWh).

Annual April Contract



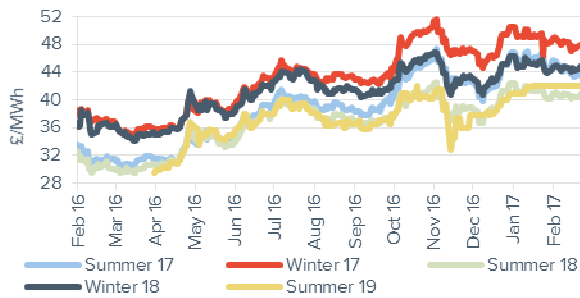
Forward Curve Comparison



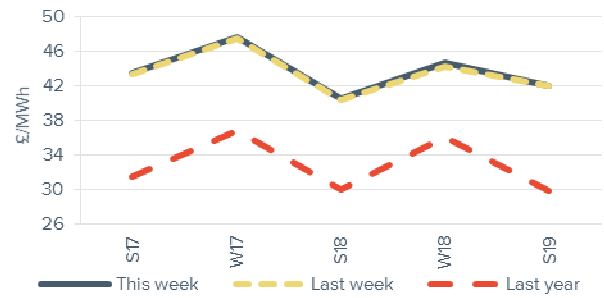


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



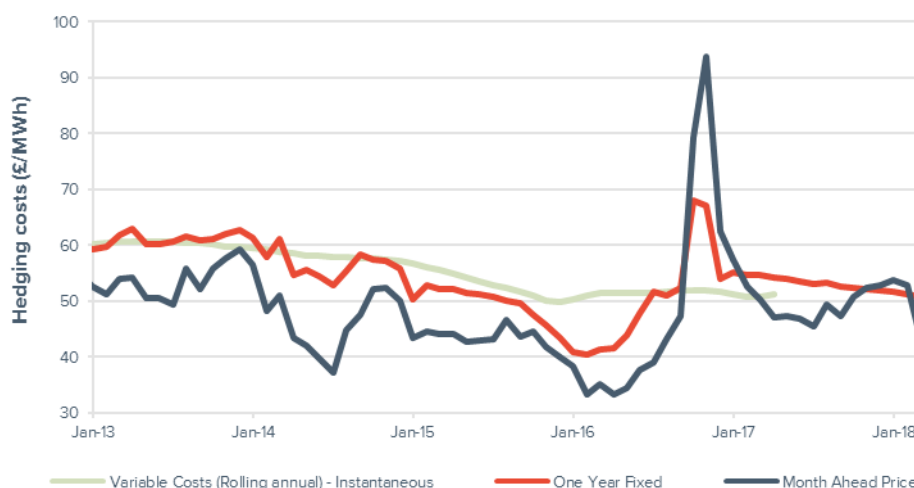
- Nearly all seasonal baseload power contracts moved higher this week.
- Summer 17 baseload power rose 0.1% to £43.5/MWh. Winter 17 power went up 0.4% to £47.7/MWh.
- The only exception was summer 19 baseload power, which remained at £42.0/MWh.
- Summer 17 peak power went down 0.1% to £47.6/MWh, whereas winter 17 peak power remained stable at £53.7/MWh.
- In contrast, summer 18 peak power gained 0.3% to £44.5/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.

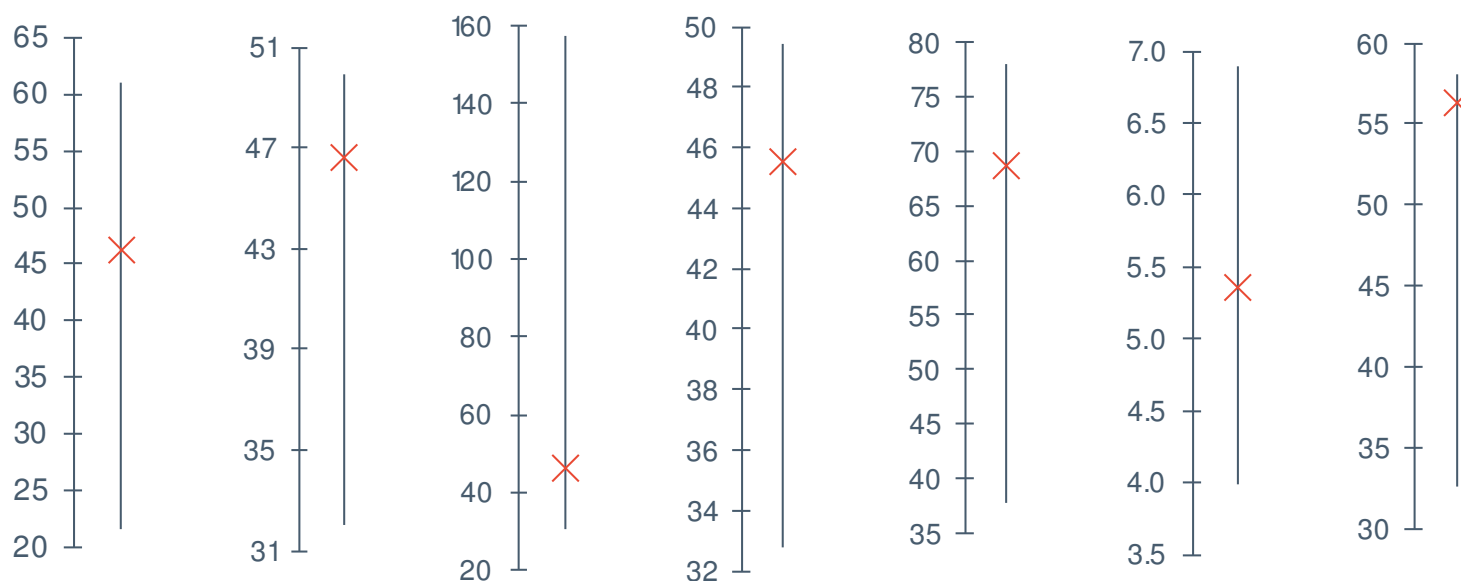




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	24 Feb 17	46.25	46.60	46.40	45.55	68.60	5.36	56.28
Last week	17 Feb 17	47.55	46.66	46.25	45.43	67.25	4.88	55.40
Last month	27 Jan 17	51.10	46.99	49.25	46.20	64.50	5.07	55.60
Last year	26 Feb 16	30.20	33.04	34.19	34.20	38.45	5.15	35.96
Year-on-year %change		53.1%	41.0%	35.7%	33.2%	78.4%	4.1%	56.5%
Year high		61.00	49.91	157.73	49.45	78.00	6.89	58.04
Year low		21.50	31.98	30.28	32.75	37.75	3.98	32.62

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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