



Energy Wholesale Market Review

Week Ending 12th May 2017



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

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



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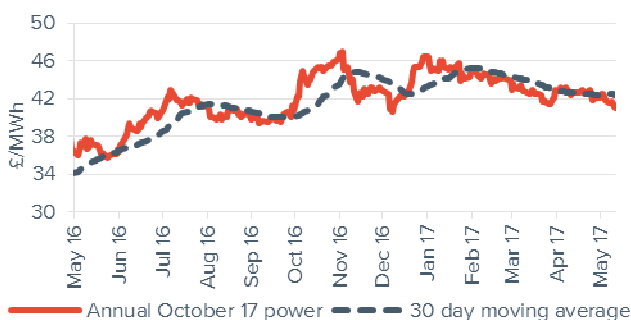
Headlines 12/05/2017

All gas and power contracts, as well as coal and carbon prices, experienced losses this week. Day-ahead power and gas contracts hit one-month lows, whilst coal and carbon hit six-week and five-month lows, respectively. All near-term baseload power contracts lowered this week, owing to reductions in their gas counterparts. Week-on-week, the day-ahead power contract lost 9.6% to £38.5/MWh, with higher wind generation forecast for Monday. The month-ahead contract (June) slipped 3.4% to £37.1/MWh. All seasonal baseload power contracts experienced losses. Winter 17 power went down 1.7% to £44.4/MWh. All near-term gas contracts experienced losses, with both lower national and regional gas demand. Day-ahead gas fell 7.0% week-on-week to 38.0p/th, amid expectations of higher Norwegian gas imports. The month-ahead (June) contract slipped 4.1% to 35.6p/th. Seasonal gas contracts all experienced declines this week. Winter 17 gas lost 2.1% to 44.3p/th. Summer 18 gas fell by 2.4% to 38.1p/th. On average for the week, Brent crude oil prices went down 1.8% to \$49.8/bl, following OPEC predictions of a rise in crude production from non-member countries. However, prices picked up on Friday to finish the week on \$50.7/bl. API 2 coal prices declined 3.2% to average \$63.8/t across the week. Prices fell to a six-week low of \$63.3/t on Friday.

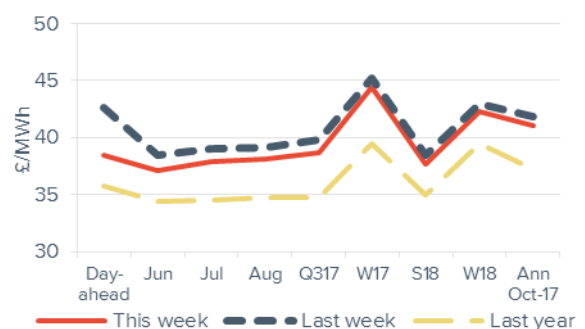
Baseload Electricity

- All near-term baseload power contracts lowered this week, following their gas counterparts lower.
- Day-ahead power fell by 9.6% to £38.5/MWh, a one-month low, with higher wind generation forecast for Monday.
- The month-ahead contract (June) slipped 3.4% to £37.1/MWh.
- The annual October 17 power contract decreased 1.8% to £41.1/MWh, following its gas counterpart downwards.

Annual October Contract



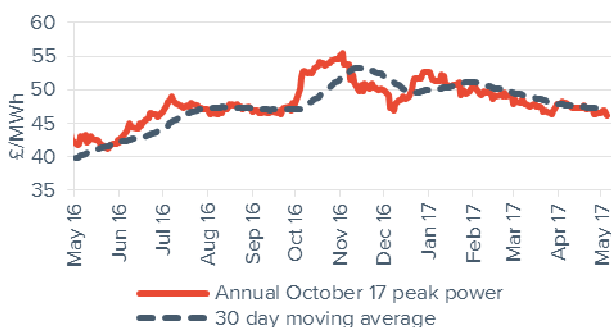
Forward Curve Comparison



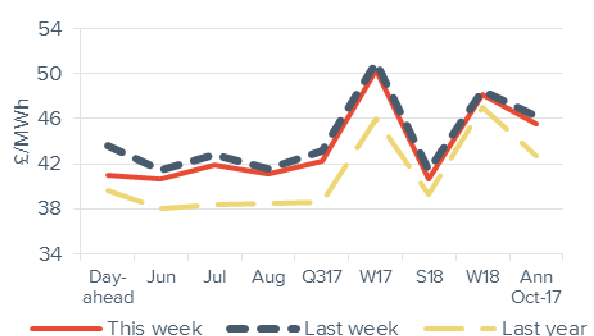
Peak Electricity

- All near-term peak power contracts moved lower this week, following their baseload counterparts downwards.
- Week-on-week, day-ahead peak power decreased 6.2% to £41.0/MWh. The contract was £2.5/MWh above its baseload counterpart.
- The month-ahead (June) contract slipped by 1.8% to £40.7/MWh. The contract was £3.6/MWh above its baseload counterpart.
- Annual October 17 peak power decreased 1.5% to £45.5/MWh. The contract was £4.5/MWh above its baseload counterpart.

Annual October Contract



Forward Curve Comparison

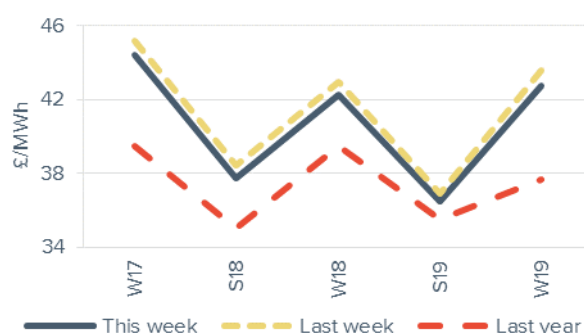


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- All seasonal baseload power contracts experienced losses this week.
- Winter 17 baseload power went down 1.8% to £44.4/MWh.
- Summer 18 baseload power also slipped by 1.8% to £37.7/MWh.
- Winter 17 peak power went down 1.3% to £50.3/MWh. Summer 18 peak power fell 1.8% to £40.7/MWh.
- On average, seasonal peak contracts lost 1.3% this week.

Supplier Hedging Strategies

During April, prices continued to fall in the gas and power markets, with all gas contracts lowering and the majority of power contracts following downwards. In contrast, Brent crude oil and API 2 coal prices increased.

The annual April 17 gas contract slipped 0.4% from March to average 43.4p/th. The annual October 17 baseload power contract rose 0.3% to average £42.6/MWh. Brent crude oil average prices gained 2.6% to \$54.1/bl in April. API 2 coal prices rose 1.8% to \$66.1/t during the month. EU ETS carbon prices varied between €4.6/t and €5.1/t, and on average slipped by 5.8% to €4.8/t.

During April, price changes to fixed domestic dual-fuel tariffs were fairly evenly balanced. Eighteen of the prices changes were increases, whereas nineteen of the price changes were decreases. The largest price decrease was EDF's "Blue+Price Protection May 18 v2" tariff, which fell by 8.9% to £1,029.1. In contrast, the largest price increase was EDF's "Blue+Price Protection May 18" tariff, which rose by 17.7% to £1,130.2.

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.

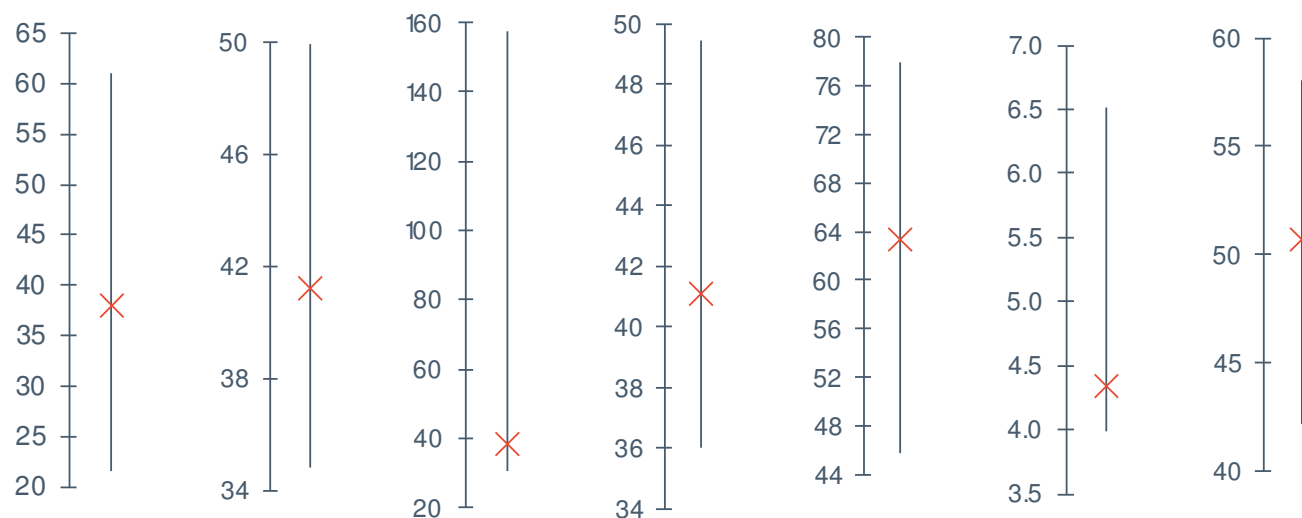




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bbl)
Last week	12 May 17	38.00	41.21	38.50	41.05	63.30	4.34	50.71
Two weeks ago	5 May 17	40.85	42.16	42.60	41.80	65.00	4.58	48.75
Four weeks ago	14 Apr 17	38.90	43.44	39.30	42.65	65.25	5.01	55.83
Last year	13 May 16	31.00	37.11	35.80	37.25	45.80	5.75	47.65
Year-on-year %change		22.6%	11.0%	7.5%	10.2%	38.2%	-24.5%	6.4%
Year high		61.00	49.91	157.73	49.45	78.00	6.52	58.04
Year low		21.50	34.78	30.28	36.00	45.80	3.98	42.11

This table shows the prices last week compared with prices from the previous week, month and year. The graphs show the position of last 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

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