



Energy Wholesale Market Review

Week Ending 5th May 2017



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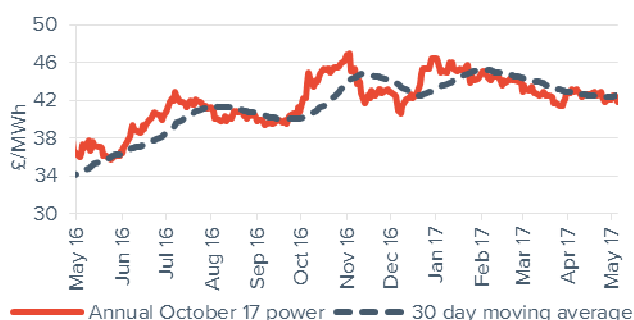
Headlines 05/05/2017

Lower commodity prices pulled all seasonal gas and power contracts down this week. The majority of near-term gas and power contracts also fell, with lower demand amid milder temperatures. Brent crude oil prices dropped to a 2017 low, with coal and carbon prices also experiencing pressure. Nearly all near-term baseload power contracts lowered this week, owing to reductions in their gas counterparts. The only exception was the day-ahead power contract, which rose 4.5% to £42.6/MWh, with low wind generation forecast for Monday. The month-ahead contract (June) slipped 0.9% to £38.4/MWh. All seasonal baseload power contracts experienced losses this week. Winter 17 power went down 1.0% to £45.2/MWh. Most near-term gas contracts experienced losses, owing to lower European gas prices and decreased Brent crude oil prices. The only exception was day-ahead gas, which climbed 0.2% week-on-week to 40.9p/th. The new month-ahead (June) contract went down 2.9% to 37.1p/th. Seasonal gas contracts all experienced declines this week. Winter 17 gas lost 1.7% to 45.3p/th. Summer 18 gas fell by 1.6% to 39.0p/th. On average, Brent crude oil prices went down 2.1% to \$50.7/bl. On Friday, Brent crude oil plummeted to \$48.8/bl, a five-month low, amid concerns that OPEC-led output cuts will fail to reduce global oversupply. This was the lowest price since prior to the OPEC-led output cut agreement on 29 November 2016. API 2 coal prices remained steady to average \$65.9/t.

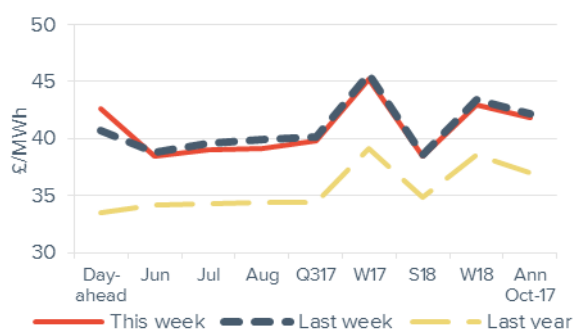
Baseload Electricity

- Nearly all near-term baseload power contracts lowered this week, following their gas counterparts lower.
- The only exception was the day-ahead power contract, which rose 4.5% to £42.6/MWh, with low wind generation forecast for Monday.
- The month-ahead contract (June) slipped 0.9% to £38.4/MWh.
- The annual October 17 power contract, decreased 0.8% to £41.8/MWh, following its gas counterpart downwards.

Annual October Contract



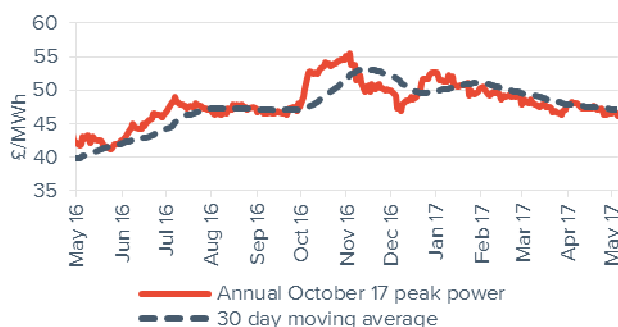
Forward Curve Comparison



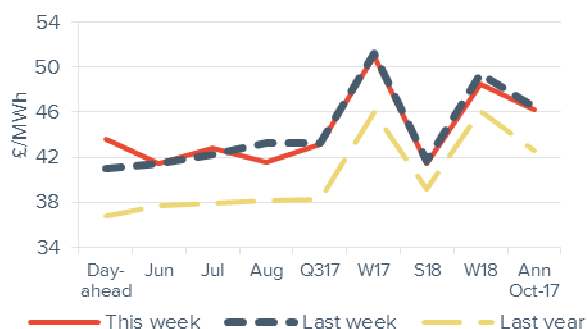
Peak Electricity

- Near-term peak power contracts experienced mixed movements this week.
- Week-on-week, day-ahead peak power increased 6.5% to £43.7/MWh. The contract was only £1.1/MWh above its baseload counterpart.
- The month-ahead (June) contract slipped by 0.1% to £41.4/MWh. The contract was £3.0/MWh above its baseload counterpart.
- Annual October 17 peak power decreased 0.5% to £46.2/MWh. The contract was £4.4/MWh above its baseload counterpart.

Annual October Contract

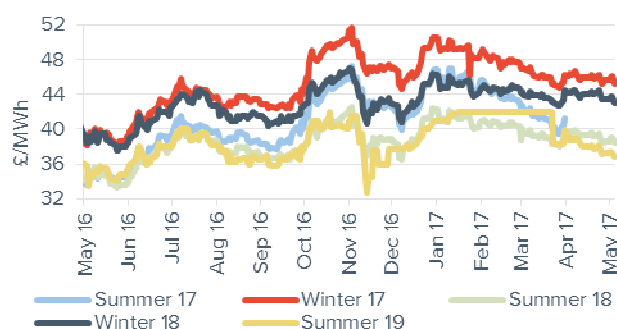


Forward Curve Comparison

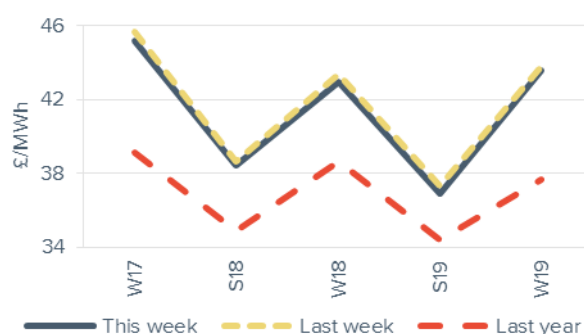




Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



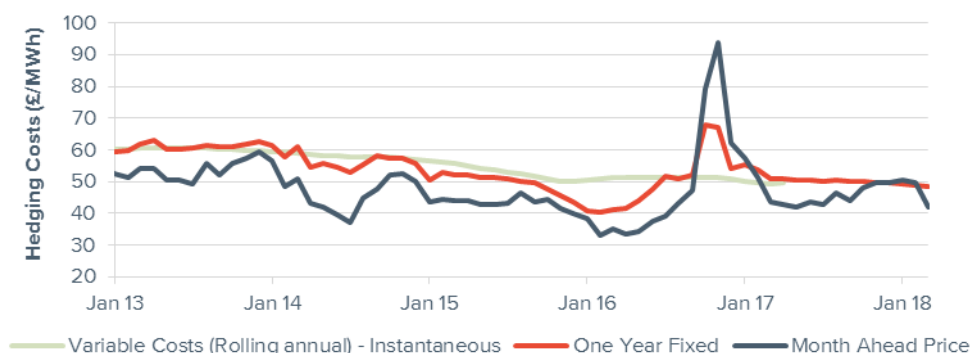
- All seasonal baseload power contracts experienced losses this week.
- Winter 17 baseload power went down 1.0% to £45.2/MWh.
- Summer 18 baseload power slipped by 0.5% to £38.4/MWh.
- Winter 17 peak power went down 0.6% to £51.0/MWh. Summer 18 peak power fell 0.5% to £41.5/MWh.
- On average, seasonal peak contracts lost 0.9% this week.

Supplier Hedging Strategies

During March, prices continued to fall across power and gas markets. Brent crude oil, API 2 coal and EU ETS carbon prices also decreased. The annual April 17 gas contract slipped 8.2% from February to average 43.6p/th. The annual April 17 baseload power contract decreased 5.3% to average £43.6/MWh. Brent crude oil prices declined 6.1% to average \$52.7/bl in March, the lowest monthly average in four months. API 2 coal prices fluctuated throughout the month, but on average went down 3.2% to \$64.9/t. EU ETS carbon prices varied between €4.7/t and €5.7/t, and on average slipped by 1.2% to €5.1/t.

During March, price changes to fixed domestic dual-fuel tariffs were fairly evenly balanced. Sixteen of the prices changes were increases, whereas seventeen of the price changes were decreases. The largest price decrease was Affect Energy's "Fixed Until March 2018 v2" tariff, which fell by 13.4% to £860.83. In contrast, the largest price increase was Breeze Energy's "North East 1" tariff, which rose by 17.1% to £1,068.76.

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.

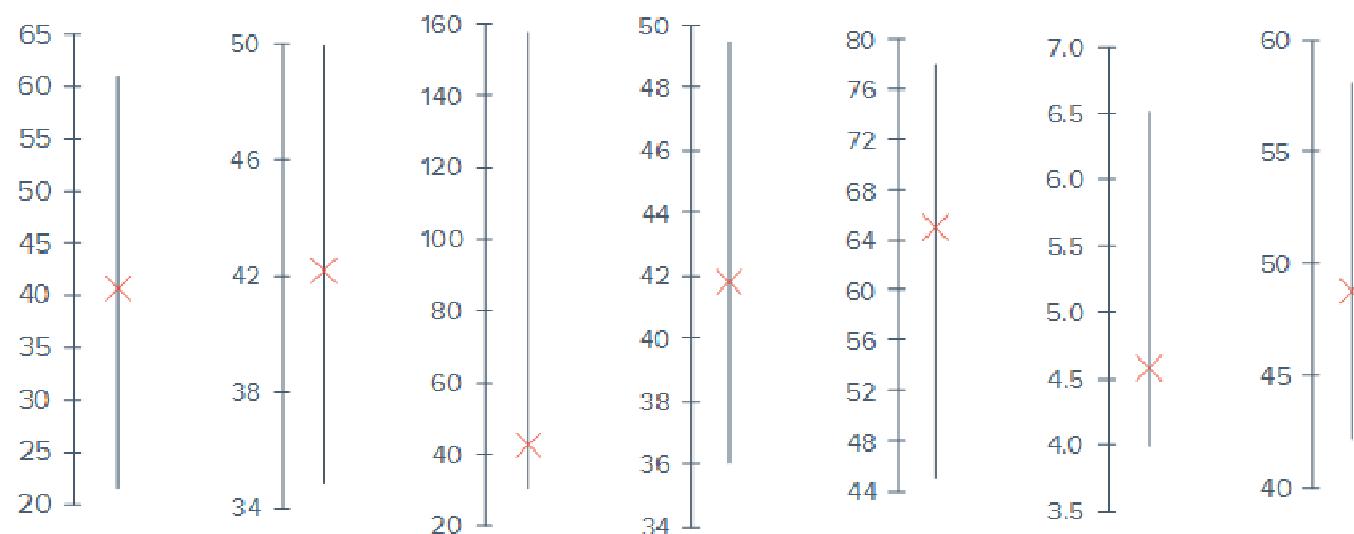




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bbl)
Last week	5 May 17	40.85	42.16	42.60	41.80	65.00	4.58	48.75
Two weeks ago	28 Apr 17	40.75	42.85	40.75	42.13	66.50	4.58	51.58
Four weeks ago	7 Apr 17	40.65	44.25	42.00	43.25	67.15	5.11	55.55
Last year	6 May 16	29.70	36.80	33.50	37.00	46.75	6.11	44.72
Year-on-year % change		37.5%	14.6%	27.2%	13.0%	39.0%	-25.0%	9.0%
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	45.00	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.

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