



# Energy Wholesale Market Review

Week Ending 19<sup>th</sup> May 2017



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## Contents

|   |          |
|---|----------|
| <b>Baseload Electricity .....</b>         | <b>3</b> |
| <b>Peak Electricity .....</b>             | <b>3</b> |
| <b>Seasonal Power Prices .....</b>        | <b>4</b> |
| <b>Supplier Hedging Strategies.....</b>   | <b>4</b> |
| <b>Wholesale price snapshot .....</b>     | <b>5</b> |
| <b>About EDW Technology Limited .....</b> | <b>6</b> |



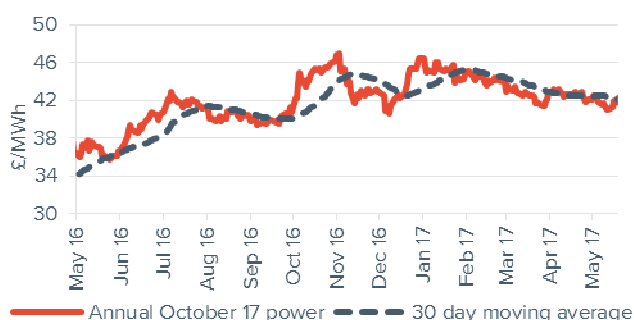
## Headlines 19/05/2017

Higher commodity prices pushed all power contracts upwards this week. Day-ahead baseload power increased by 5.4% to £40.6/MWh, following its gas counterpart upwards. On Tuesday afternoon, day-ahead baseload power jumped to £54.0/MWh, a three-month high, with an unplanned shutdown at the Heysham 2-7 nuclear unit, as well as higher demand and a sharp decline in forecast wind generation forecast for the following day. Within-day half-hourly contract prices on Wednesday reached £478.7/MWh as a result of tight supply margins. The month-ahead contract (June) climbed by 4.6% to £38.8/MWh. All seasonal baseload power contracts experienced gains. Winter 17 power went up 2.7% to £45.6/MWh. Week-on-week, day-ahead peak power increased 3.0% to £42.2/MWh, with higher peak power demand. All gas contracts experienced gains this week, following international gas prices and oil prices upwards. Day-ahead gas rose 2.0% week-on-week to 38.8p/th, amid an undersupplied system on Friday and a reduction in LNG supplies. The month-ahead (June) gas contract went up 5.1% to 37.4p/th. All seasonal gas contracts increased. Winter 17 gas climbed 3.6% to 45.9p/th. On average, Brent crude oil prices went up 4.5% to \$52.1/bl. Brent crude oil jumped to a four-week high of \$53.1/bl on Friday. Prices were supported upon higher expectations that OPEC members will extend current production cuts into the second half of 2017. API 2 coal prices also rose, up 1.5% to average \$64.8/t.

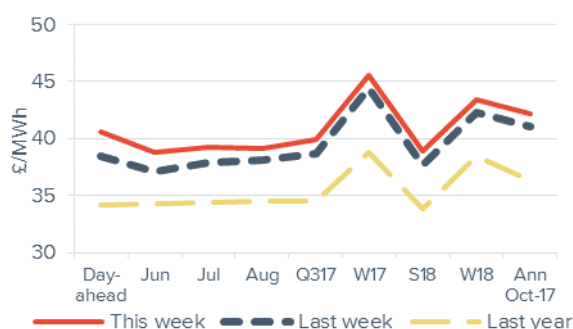
### Baseload Electricity

- All near-term baseload power contracts rose this week, following commodity prices higher.
- Day-ahead power increased by 5.4% to £40.6/MWh, following its gas counterpart upwards.
- The month-ahead contract (June) climbed by 4.6% to £38.8/MWh.
- The annual October 17 power contract increased 2.9% to £42.2/MWh, following its gas counterpart higher.

Annual October Contract



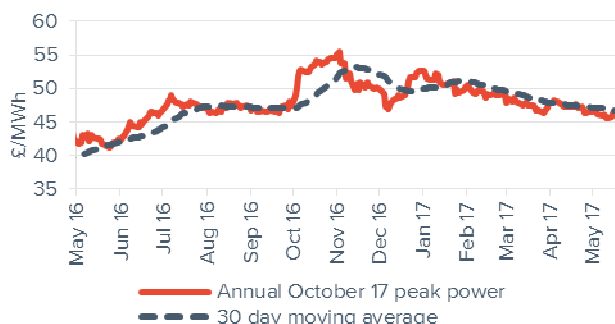
Forward Curve Comparison



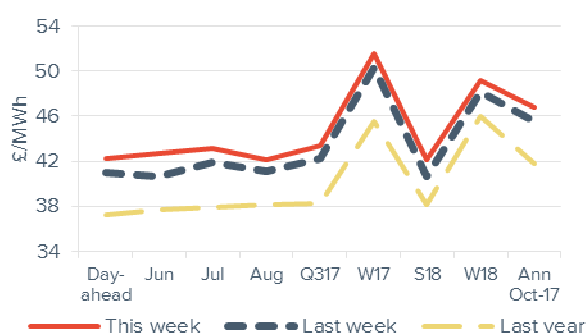
### Peak Electricity

- All near-term peak power contracts moved higher this week, following their baseload counterparts upwards.
- Week-on-week, day-ahead peak power increased 3.0% to £42.2/MWh, with higher peak power demand. The contract was £1.6/MWh above its baseload counterpart.
- The month-ahead (June) contract rose by 4.9% to £42.7/MWh. The contract was £3.9/MWh above its baseload counterpart.
- Annual October 17 peak power increased 2.9% to £46.8/MWh. The contract was £4.6/MWh above its baseload counterpart.

Annual October Contract



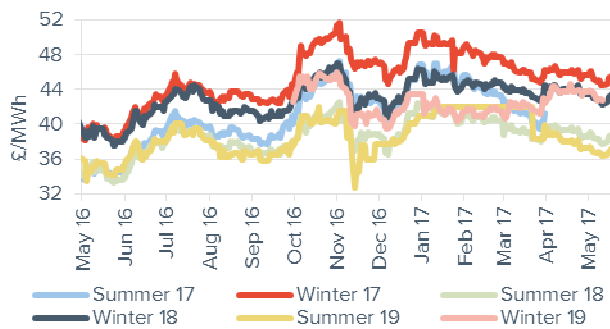
Forward Curve Comparison



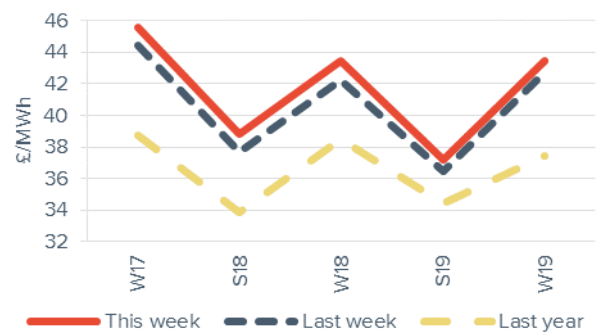


## Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- All seasonal baseload power contracts experienced gains this week.
- Winter 17 power went up 2.7% to £45.6/MWh.
- Summer 18 power lifted by 3.1% to £38.9/MWh.
- Winter 17 peak power went up 2.5% to £51.6/MWh.
- Summer 18 peak power lifted 3.4% to £42.1/MWh.
- On average, seasonal peak contracts climbed 2.3% 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 b

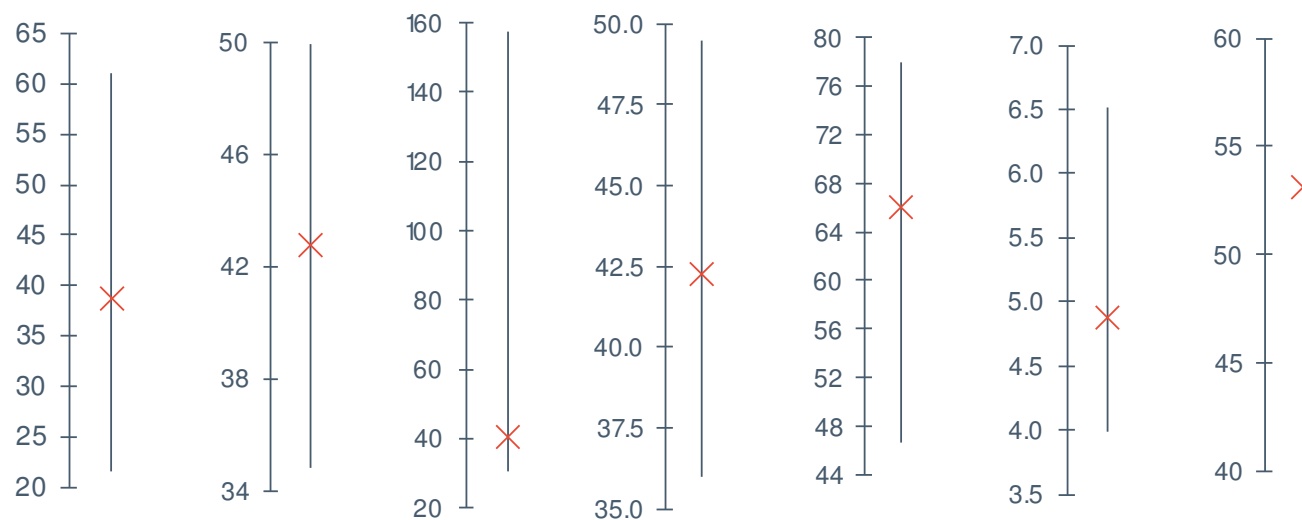




## Wholesale price snapshot

|                      |           | Gas (p/th) |            | Electricity (£/MWh) |            | Coal   | Carbon | Brent crude |
|----------------------|-----------|------------|------------|---------------------|------------|--------|--------|-------------|
|                      |           | Day-ahead  | Year-ahead | Day-ahead           | Year-ahead | (\$/t) | (€/t)  | (\$/bbl)    |
| Last week            | 19 May 17 | 38.75      | 42.76      | 40.56               | 42.23      | 66.00  | 4.87   | 53.10       |
| Two weeks ago        | 12 May 17 | 38.00      | 41.21      | 38.50               | 41.05      | 63.30  | 4.34   | 50.71       |
| Four weeks ago       | 21 Apr 17 | 39.50      | 43.26      | 40.75               | 42.50      | 67.00  | 4.73   | 52.97       |
| Last year            | 20 May 16 | 30.10      | 36.17      | 34.15               | 36.30      | 47.00  | 5.96   | 48.75       |
| Year-on-year %change |           | 28.7%      | 18.2%      | 18.8%               | 16.3%      | 40.4%  | -18.3% | 8.9%        |
| 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      | 46.70  | 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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