



Energy Wholesale Market Review

Week Ending 26th May 2017



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Contents

Baseload Electricity	3
Peak Electricity.....	3
Seasonal Power Prices.....	4
Supplier Hedging Strategies.....	4
Wholesale price snapshot	5
About EDW Technology Limited	6



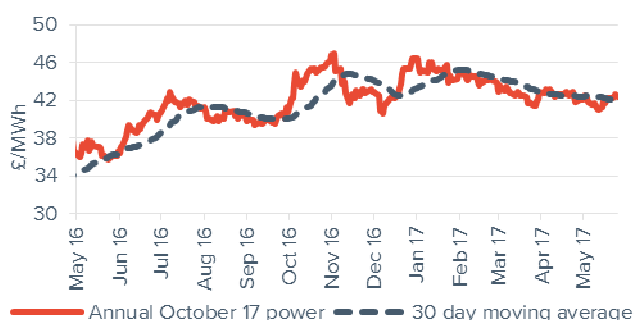
Headlines 26/05/2017

Lower prompt gas prices and high levels of renewables output pushed most near-term baseload power contracts down this week. Day-ahead power dropped 9.0% to £36.9/MWh, a near eight-month low. Throughout the week, the contract was driven down by record high levels of solar PV output, which hit 8.7GW on Friday, and a reduction in gas prices. In contrast, all seasonal baseload power contracts experienced gains, following seasonal gas contracts upward. Winter 17 power lifted 0.4% to £45.8/MWh. Day-ahead peak power dropped 10.4% to £37.8/MWh, as forecasts of record high solar output curtailed daytime electricity demand. The contract ended the week just £0.9/MWh above its baseload counterpart. All near-term gas contracts experienced losses this week, following international gas and oil prices downward. Day-ahead gas fell 5.8% week-on-week to 36.5p/th. In contrast, all seasonal gas contracts increased this week. Winter 17 gas lifted 0.4% to 46.1p/th. Brent crude oil prices experienced a turbulent week. Despite ending the week down, on average prices went up 2.6% to \$53.4/bl. Prices rose to a five-week high of \$54.4/bl on Wednesday, pushed upwards by increasing confidence that OPEC and other large oil producers would come to an agreement to extend current output cuts. On Friday, prices dropped to \$51.8/bl, amid disappointment that deeper production cuts were not implemented. EU ETS carbon prices gained 7.4% this week to average €5.0/t. On Friday, prices hit a seven-week high of €5.1/t.

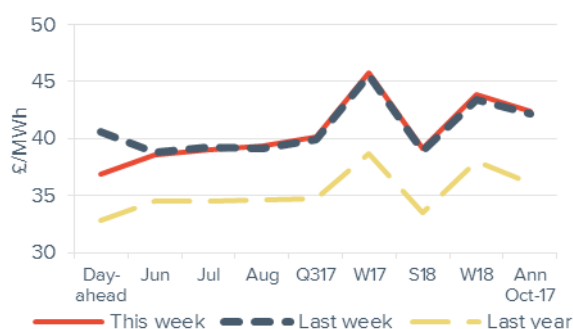
Baseload Electricity

- Most near-term baseload power contracts decreased this week, following gas prices lower.
- Day-ahead power dropped 9.0% to £36.9/MWh, a near eight-month low, driven down by record solar PV output and lower gas prices.
- The month-ahead contract (June) slipped by 0.6% to £38.6/MWh.
- The annual October 17 power contract increased 0.5% to £42.4/MWh, following its gas counterpart higher.

Annual October Contract



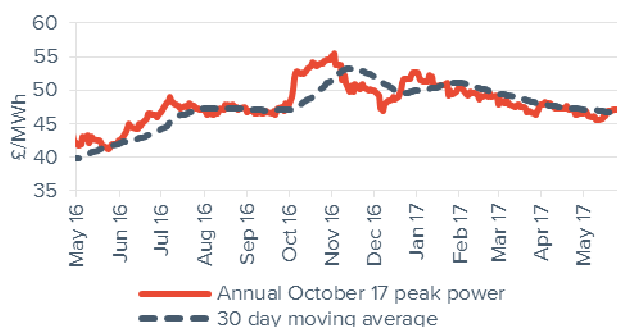
Forward Curve Comparison



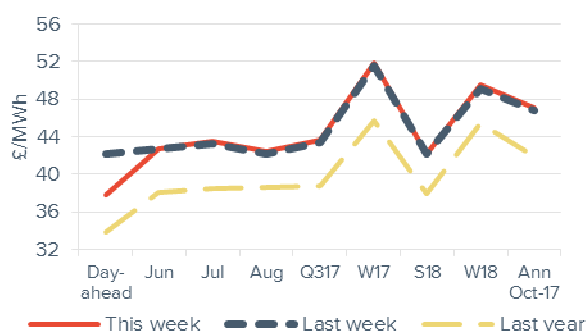
Peak Electricity

- The majority of near-term peak power contracts moved higher this week.
- The only exception was day-ahead peak power, which dropped 10.4% to £37.8/MWh, amid forecasts of record solar generation. The contract was just £0.9/MWh above its baseload counterpart.
- The month-ahead (June) contract rose by 0.2% to £42.8/MWh. The contract was £4.2/MWh above its baseload counterpart.
- Annual October 17 peak power increased 0.4% to £47.0/MWh. The contract was £4.6/MWh above its baseload counterpart.

Annual October Contract

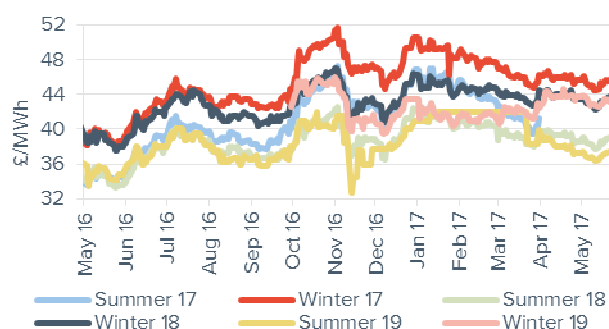


Forward Curve Comparison

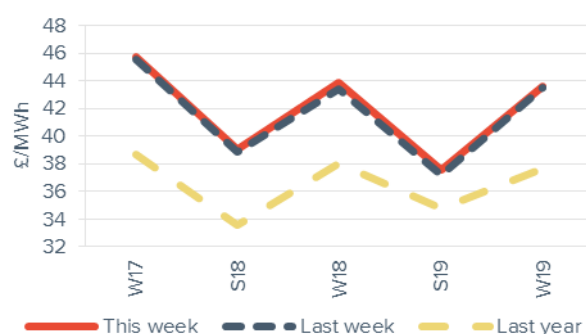




Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- All seasonal baseload power contracts experienced gains this week, following their gas counterparts upward.
- Winter 17 baseload power went up 0.4% to £45.8/MWh.
- Summer 18 baseload power lifted by 0.6% to £39.1/MWh.
- Winter 17 peak power went up 0.6% to £51.9/MWh.
- Summer 18 peak power lifted 0.2% to £42.2/MWh.
- On average, seasonal peak contracts climbed 0.5% this week.

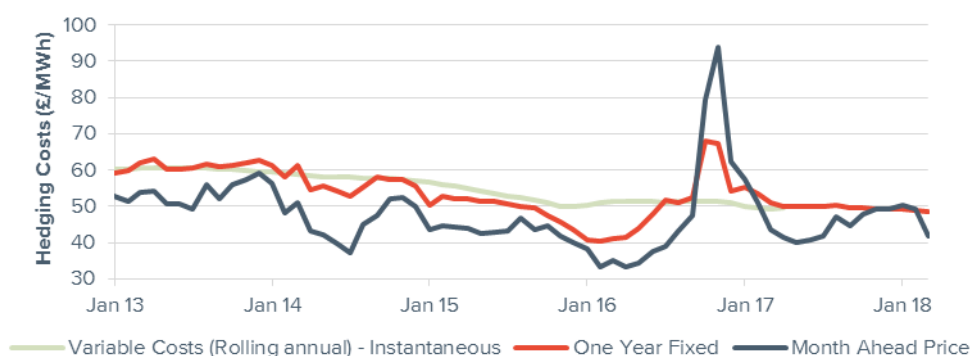
Supplier Hedging Strategies

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.

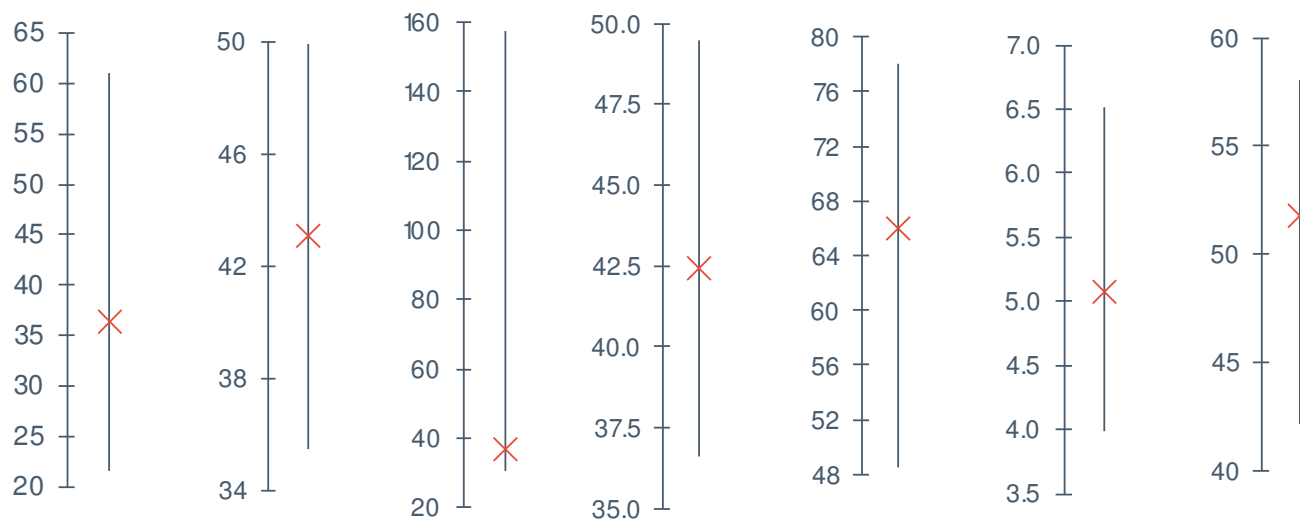




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
Last week	26 May 17	36.50	43.04	36.92	42.44	66.00	5.07	51.79
Two weeks ago	19 May 17	38.75	42.76	40.56	42.23	66.00	4.87	53.10
Four weeks ago	28 Apr 17	40.75	42.85	40.75	42.13	66.50	4.58	51.58
Last year	27 May 16	31.20	35.82	32.80	36.10	48.45	5.97	49.01
Year-on-year %change		17.0%	20.2%	12.6%	17.5%	36.2%	-15.1%	5.7%
Year high		61.00	49.91	157.73	49.45	78.00	6.52	58.04
Year low		21.50	35.44	30.28	36.60	48.45	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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