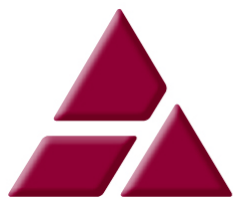


Energy Wholesale Market Review

Week Ending 2nd June 2017



edw technology

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

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

Contents

Baseload Electricity	1
Peak Electricity	1
Seasonal Power Prices	2
Supplier Hedging Strategies	2
Wholesale price snapshot	3
About EDW Technology Limited	4

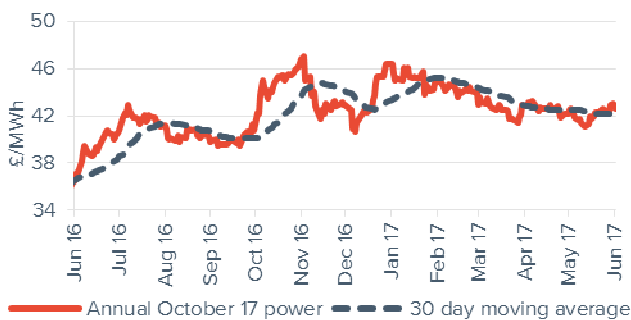
Headlines 02/06/2017

Higher gas, coal and carbon prices pushed most baseload power contracts higher this week. Day-ahead power, followed its gas counterpart upwards, jumping 5.0% to £38.8/MWh, with higher demand forecast for Monday. Contracts moved forward this week and the new month-ahead contract (July) increased by 0.8% to £39.4/MWh. Seasonal baseload power contracts experienced mixed movements. Winter 17 power lifted 0.1% to £45.8/MWh. Day-ahead peak power jumped 9.8% to £41.5/MWh. The contract ended the week £2.8/MWh above its baseload counterpart. The majority of near-term gas contracts experienced losses this week, following oil prices downward. The only exception was the day-ahead contract, which increased 0.5% to 36.7p/th, week-on-week. The new month-ahead (July) contract slipped 3.3% to 36.2p/th. Throughout the week higher Norwegian deliveries pushed prices lower. All seasonal gas contracts decreased this week. Winter 17 gas lost 1.8% to 45.3p/th. Brent crude oil prices dropped 4.7% on average to \$50.9/bl. Week-on-week, prices plummeted to a near four-week low of \$49.1/bl, amid concerns that the United States' withdrawal from the Paris climate agreement could lead to more crude drilling in the US. API 2 coal lifted 0.3% to average \$66.9/t. On Wednesday, prices reached an eight-week high of \$67.5/t. EU ETS carbon prices gained 3.1% this week to average €5.1/t. On Tuesday, prices hit a near twelve-week high of €5.2/t.

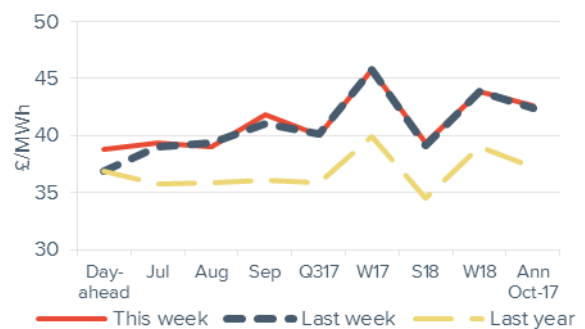
Baseload Electricity

- Most near-term baseload power contracts increased this week.
- Day-ahead power gained 5.0% to £38.8/MWh, with higher demand forecast for Monday.
- The new month-ahead contract (July) increased by 0.8% to £39.4/MWh.
- The annual October 17 power contract increased 0.3% to £42.6/MWh.

Annual October Contract



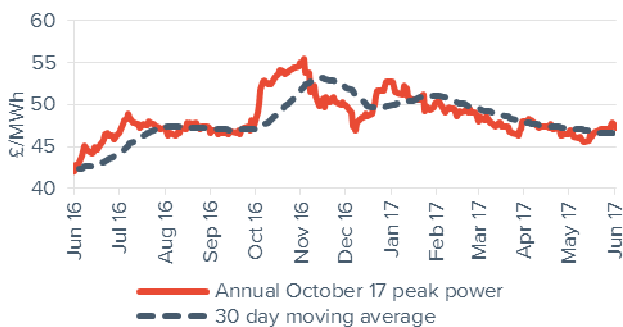
Forward Curve Comparison



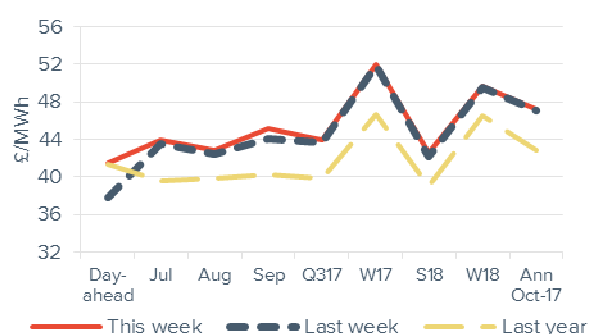
Peak Electricity

- All near-term peak power contracts moved higher this week.
- Day-ahead peak power jumped 9.8% to £41.5/MWh. The contract was £2.8/MWh higher than its baseload counterpart.
- The month-ahead (July) contract rose by 0.9% to £43.9/MWh. The contract was £4.6/MWh above its baseload counterpart.
- Annual October 17 peak power increased 0.5% to £47.3/MWh. The contract was £4.7/MWh above its baseload counterpart.

Annual October Contract



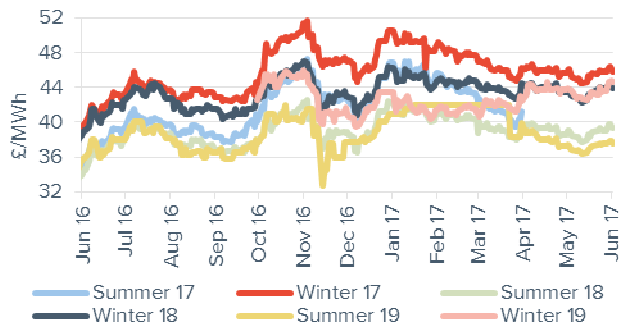
Forward Curve Comparison



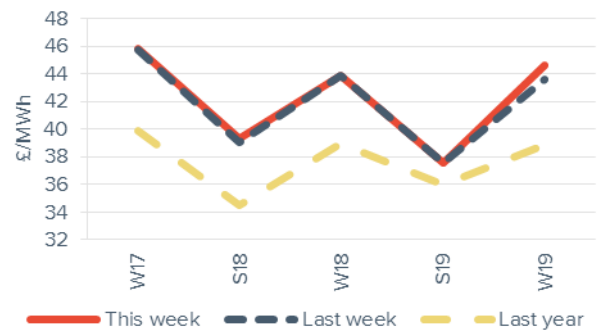


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- Seasonal baseload power contracts experienced mixed movements this week.
- Winter 17 baseload power went up 0.1% to £45.8/MWh.
- Summer 18 baseload power lifted by 0.6% to £39.4/MWh.
- Winter 17 peak power went up 0.2% to £52.0/MWh.
- Summer 18 peak power lifted 0.9% to £42.6/MWh.
- On average, seasonal peak contracts climbed 0.7% this week.

Supplier Hedging Strategies

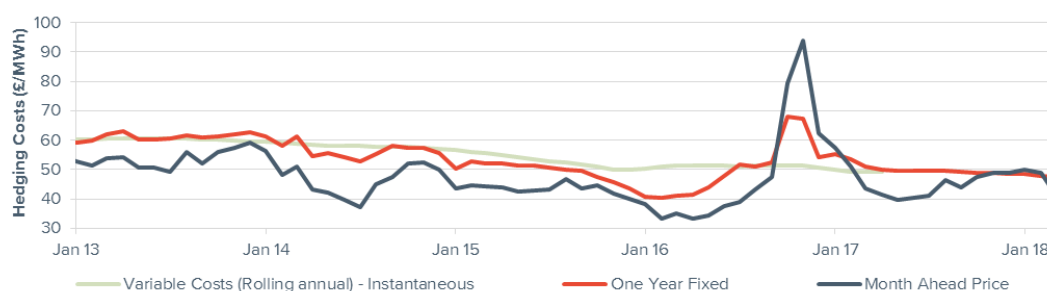
During May, prices continued to fall in the gas and power markets, with all gas contracts experiencing losses and nearly all power contracts following downwards. Brent crude oil, API 2 coal and EU ETS carbon prices also reduced.

The annual October 17 gas contract slipped 2.0% from April to average 42.5p/th. The annual October 17 baseload power contract lost 1.3% to average £42.1/MWh. Brent crude oil prices dropped 4.8% to average \$51.5/bl in May. On average, API 2 coal prices slipped 0.9% to \$65.5/t during the month. EU ETS carbon prices lowered 2.8% to average €4.7/t.

During May, price changes to fixed domestic dual-fuel tariffs were mainly decreases. 21 of the prices changes were decreases, whereas 16 of the price changes were increases. Shorter-hedged suppliers are more likely to have been able to pass on power and gas contract falls this month. The largest price decrease was GB Energy's "My GB Lite July 2018" tariff, which fell by 13.1% to £923.8. In contrast, the largest price increase was Utility Warehouse's "Double Gold Fixed 15" tariff, which rose by 11.6% to £1,025.1.

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.

Between the start of 2015 and July 2016, it was cheaper to use the shorter-hedged strategy as wholesale power prices have steadily declined. Since July 2016, the longer-hedged strategy has been cheaper, however both strategies are converging and close to overlapping again, which can be seen in the graph.

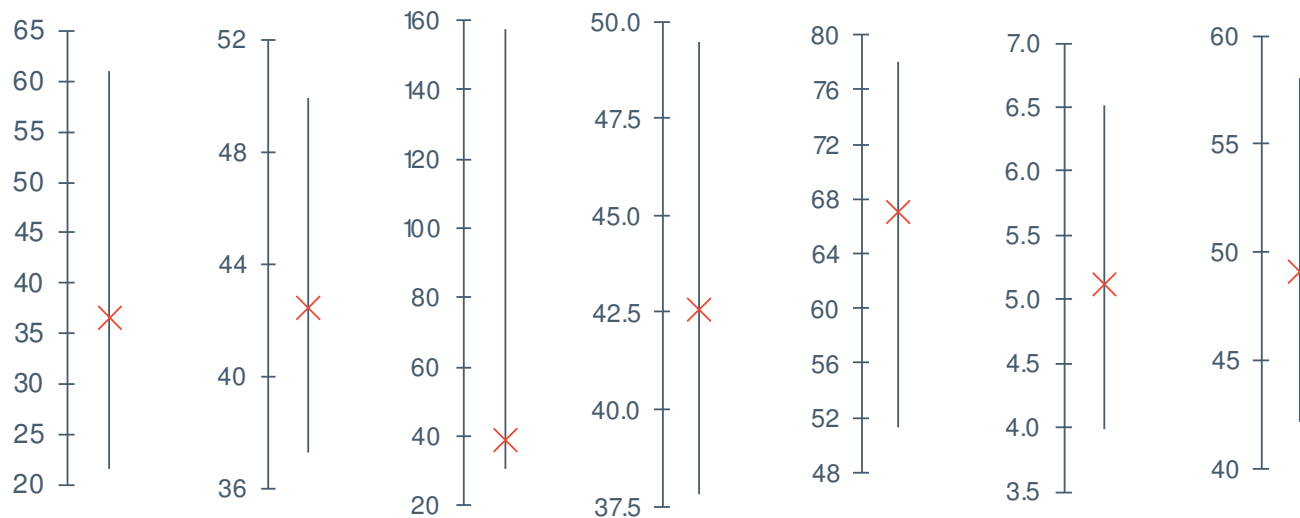




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/b)
Last week	2 Jun 17	36.70	42.44	38.75	42.58	67.00	5.11	49.12
Two weeks ago	26 May 17	36.50	43.04	36.92	42.44	66.00	5.07	51.79
Four weeks ago	5 May 17	40.85	42.16	42.60	41.80	65.00	4.58	48.75
Last year	3 Jun 16	34.50	37.65	36.90	37.23	52.25	5.96	50.13
Year-on-year % change		6.4%	12.7%	5.0%	14.4%	28.2%	-14.3%	-2.0%
Year high		61.00	49.91	157.73	49.45	78.00	6.52	58.04
Year low		21.50	37.26	30.28	37.80	51.30	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

Copyright © 2017 EDW Technology Limited. All rights reserved.

No part of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or translated into any language, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission from EDW Technology Limited.

All copyright, confidential information, patents, design rights and all other intellectual property rights of whatsoever nature contained herein are and shall remain the sole and exclusive property of EDW Technology Limited. The information furnished herein is believed to be accurate and reliable. However, no responsibility is assumed by EDW Technology Limited for its use, or for any infringements of patents or other rights of third parties resulting from its use.