



Energy Wholesale Market Review

Week Ending 9th June 2017



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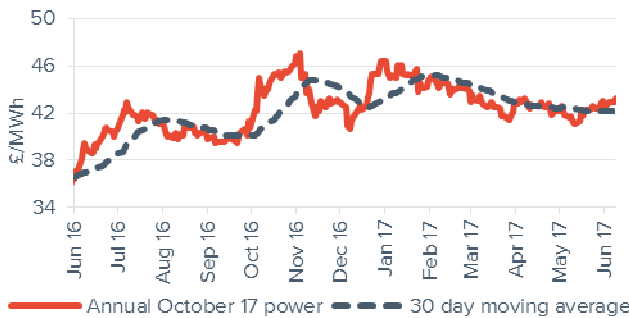
Headlines 09/06/2017

Higher gas and coal prices pushed most baseload power contracts higher this week. An exception was day-ahead baseload power, which dropped 7.1% to £36.0/MWh. The contract slid to a near nine-month low on Tuesday of £35.8/MWh as record levels of renewables generation during peak times pushed spot prices lower. On Wednesday, renewables provided 18.7GW of power at 1pm, meeting a new record of 50.7% of total demand. Consequently, within-day power prices on APX and N2EX exchanges fell negative, owing to too much inflexible generation on the system. Negative prices were also seen on the Balancing Mechanism, with wind farms being paid to reduce their output. The month-ahead power contract (July) increased by 0.8% to £39.7/MWh. All near-term gas contracts rose this week, as a weaker pound following the general election supported prices. A weaker pound against other currencies increases the cost of importing gas. Week-on-week, the day-ahead gas contract gained 2.2% to 37.5p/th, as lower temperatures led to higher residential gas demand. The month-ahead (July) contract rose 3.0% to 37.3p/th. Brent crude oil prices dropped 3.8% to average \$49.0/bl. On Friday, prices dropped to a six-month low of \$48.0/bl amid concerns over increasing US crude inventories and rising oil production from Libya. Prices also faced downward pressure from rising tensions in the Middle East after Saudi Arabia and other Arab states severed diplomatic ties with Qatar.

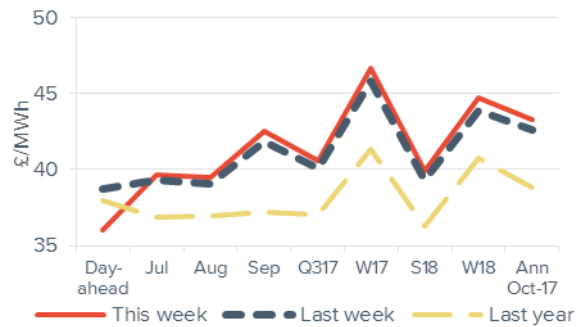
Baseload Electricity

- Most near-term baseload power contracts increased this week.
- An exception was day-ahead power which dropped 7.1% to £36.0/MWh, with higher wind generation forecast for Monday.
- The month-ahead contract (July) increased by 0.8% to £39.7/MWh.
- The annual October 17 power contract increased 1.7% to £43.3/MWh.

Annual October Contract



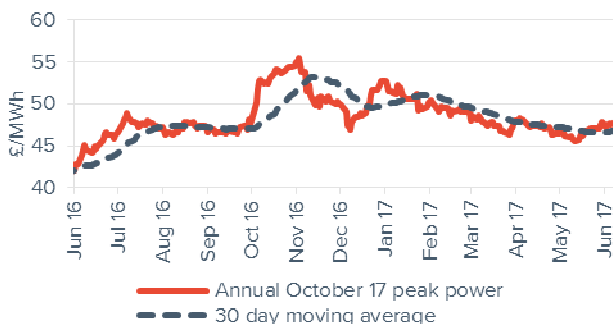
Forward Curve Comparison



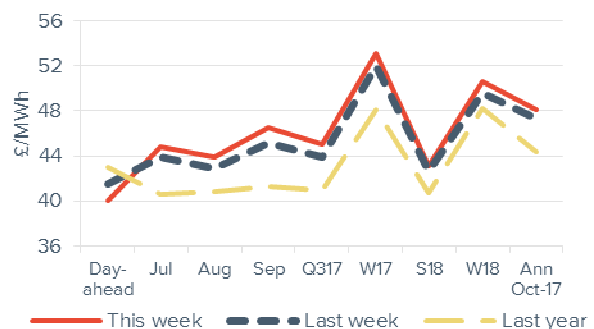
Peak Electricity

- The majority of near-term peak power contracts moved higher this week.
- The only exception was day-ahead peak power, which lost 3.6% to £40.0/MWh. The contract was £4.0/MWh higher than its baseload counterpart.
- The month-ahead (July) contract rose by 2.1% to £44.8/MWh. The contract was £5.2/MWh above its baseload counterpart.
- Annual October 17 peak power increased 1.9% to £48.2/MWh. The contract was £4.9/MWh above its baseload counterpart.

Annual October Contract



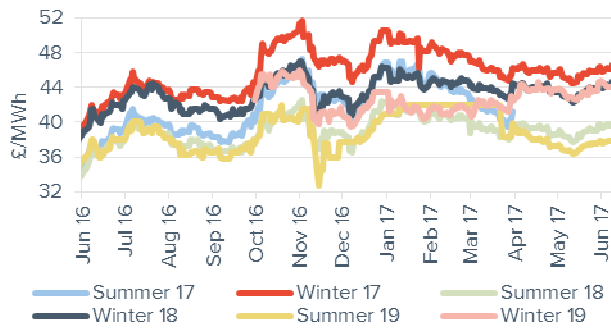
Forward Curve Comparison



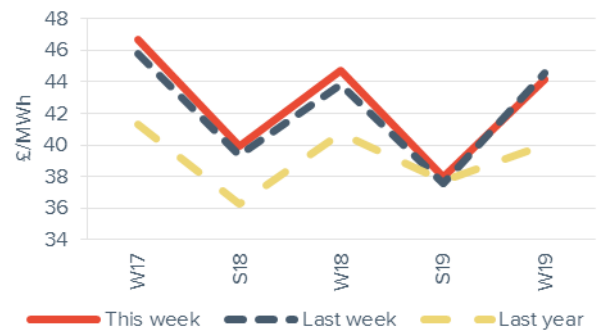


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- The majority of seasonal baseload power contracts experienced gains this week.
- Winter 17 baseload power climbed 2.0% to £46.7/MWh.
- Summer 18 baseload power lifted by 1.4% to £39.9/MWh.
- Winter 17 peak power went up 2.3% to £53.2/MWh.
- Summer 18 peak power lifted 1.3% to £43.2/MWh.
- On average, seasonal peak contracts climbed 1.2% this week.

Supplier Hedging Strategies

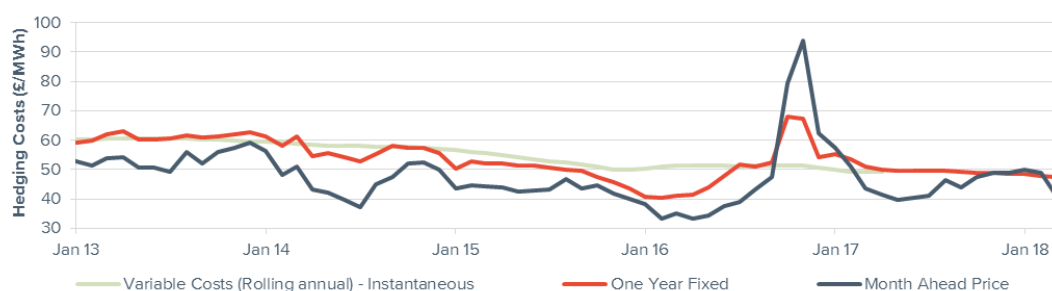
During May, prices continued to fall in the gas and power markets, with all gas contracts experiencing losses and nearly all power contracts following downwards. Brent crude oil, API 2 coal and EU ETS carbon prices also reduced.

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.

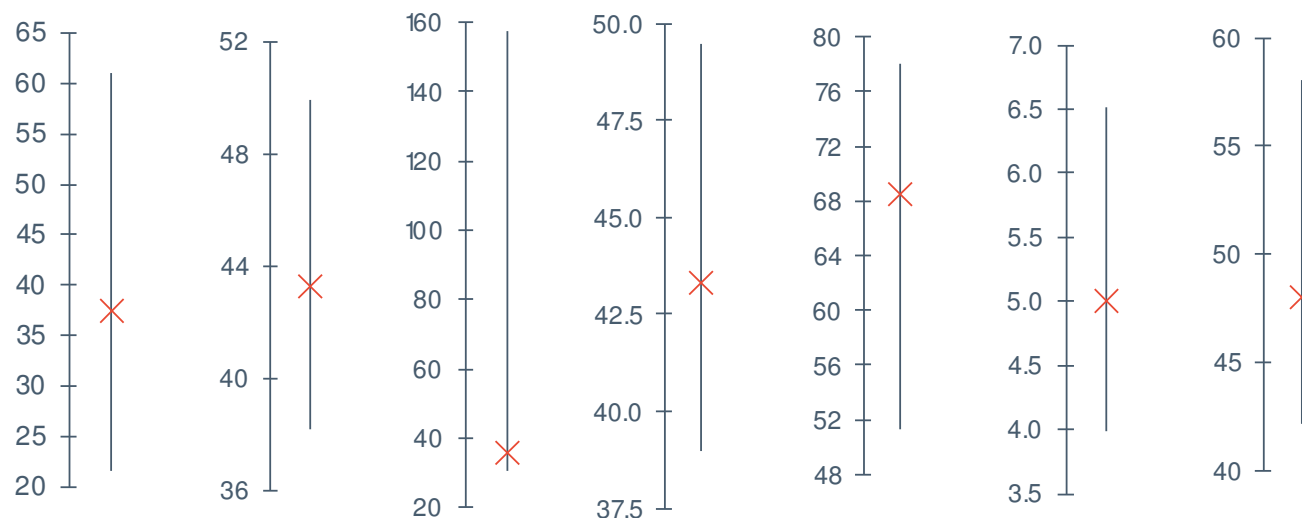




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/b)
Last week	9 Jun 17	37.50	43.25	36.00	43.30	68.50	5.01	47.95
Two weeks ago	2 Jun 17	36.70	42.44	38.75	42.58	67.00	5.11	49.12
Four weeks ago	12 May 17	38.00	41.21	38.50	41.05	63.30	4.34	50.71
Last year	10 Jun 16	33.75	39.36	38.00	38.79	52.00	5.99	51.20
Year-on-year % change		11.1%	9.9%	-5.3%	11.6%	31.7%	-16.4%	-6.3%
Year high		61.00	49.91	157.73	49.45	78.00	6.52	58.04
Year low		21.50	38.14	30.28	38.95	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.

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