



Energy Wholesale Market Review

Week Ending 16th June 2017



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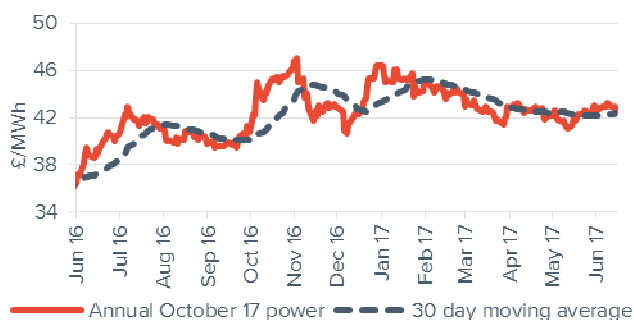
Headlines 16/06/2017

All gas contracts and most power contracts declined this week, with a fall in oil prices and carbon prices. In contrast, coal prices rose. Day ahead gas and power contracts reached nine-month lows on Thursday. On Thursday, the day-ahead gas contract hit a nine-month low of 23.5p/th, amid warmer weather, high levels of forecast renewables output and fewer continental exports which lowered gas demand and increased available supply. Interconnector UK (IUK), between GB and Belgium, is shut for annual maintenance from 14 June to 29 June, preventing the export of gas and adding to the oversupplied system. The day-ahead baseload power contract slid to a nine-month low of £30.8/MWh on Thursday, pressured downwards by falling gas prices, as well as high levels of forecast wind generation and solar generation. The day-ahead peak power reached a nine-month low of £33.3/MWh on Thursday, following its gas and baseload power counterparts downwards. Week-on-week day-ahead peak power lost 16.9% to £33.3/MWh. The contract was £3.3/MWh lower than its baseload counterpart, due to high levels of solar output lowering peak demand levels. All seasonal gas contracts decreased this week, following oil prices lower. The majority of seasonal baseload power contracts moved lower this week, following gas prices downwards. Brent crude oil prices continued a downward trend this week, falling 2.3% to average \$47.9/bl.

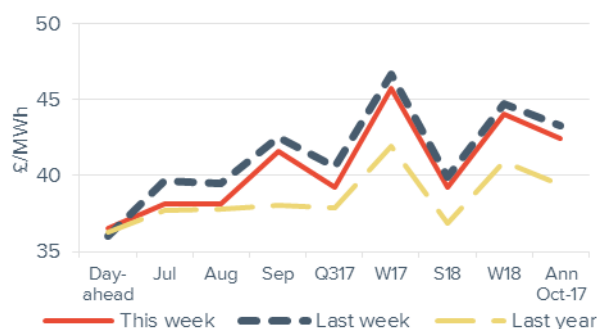
Baseload Electricity

- Most near-term baseload power contracts experienced losses this week.
- An exception was day-ahead baseload power, which week-on-week climbed 1.4% to £36.5/MWh. However, the contract slid to a nine-month low of £30.8/MWh on Thursday.
- The month-ahead contract (July) decreased by 3.9% to £38.1/MWh.
- The annual October 17 power contract decreased 2.0% to £42.5/MWh.

Annual October Contract



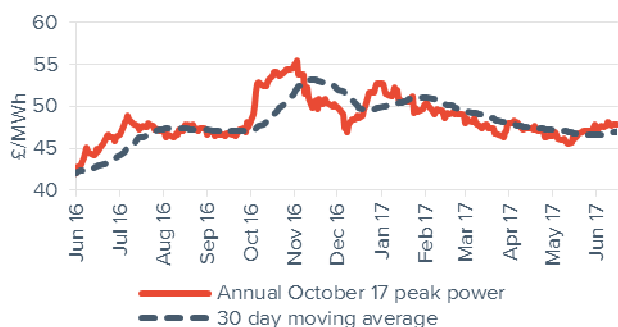
Forward Curve Comparison



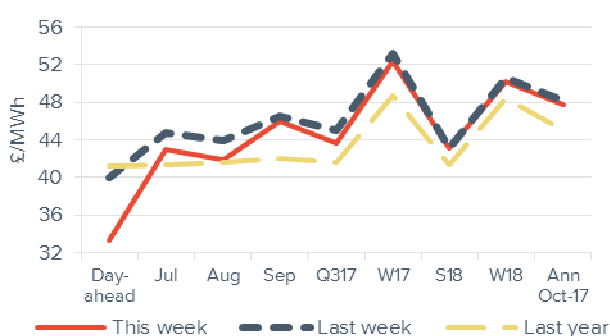
Peak Electricity

- All near-term peak power contracts moved lower this week, following their gas counterparts downwards.
- Day-ahead peak power, lost 16.9% to £33.3/MWh. The contract was £3.3/MWh lower than its baseload counterpart, due to high levels of solar output lowering peak demand levels.
- The month-ahead (July) contract fell by 4.0% to £43.0/MWh. The contract was £4.9/MWh above its baseload counterpart.
- Annual October 17 peak power decreased 0.8% to £47.8/MWh. The contract was £5.3/MWh above its baseload counterpart.

Annual October Contract



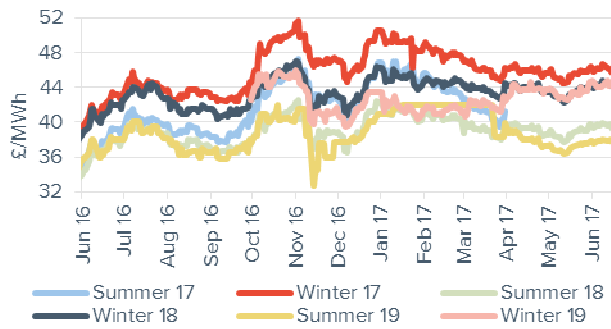
Forward Curve Comparison



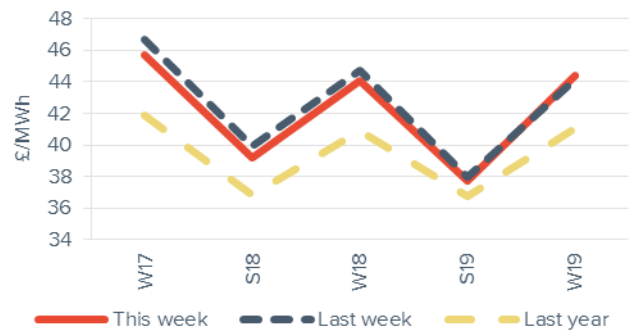


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- The majority of seasonal baseload power contracts moved lower this week, following gas prices downwards.
- Winter 17 power went down 2.1% to £45.7/MWh.
- Summer 18 power declined by 1.8% to £39.2/MWh.
- Most seasonal peak power contracts experienced losses this week. Winter 17 peak power went down 1.4% to £52.4/MWh.
- On average, seasonal peak contracts slipped 0.8% this week.

Supplier Hedging Strategies

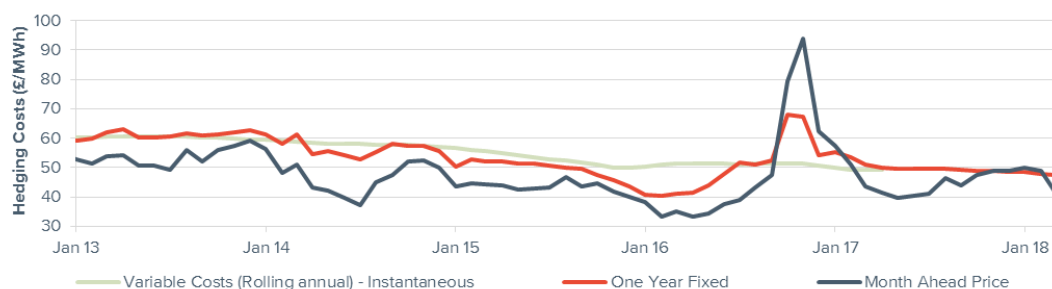
During May, prices continued to fall in the gas and power markets, with all gas contracts experiencing losses and nearly all power contracts following downwards. Brent crude oil, API 2 coal and EU ETS carbon prices also reduced.

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.

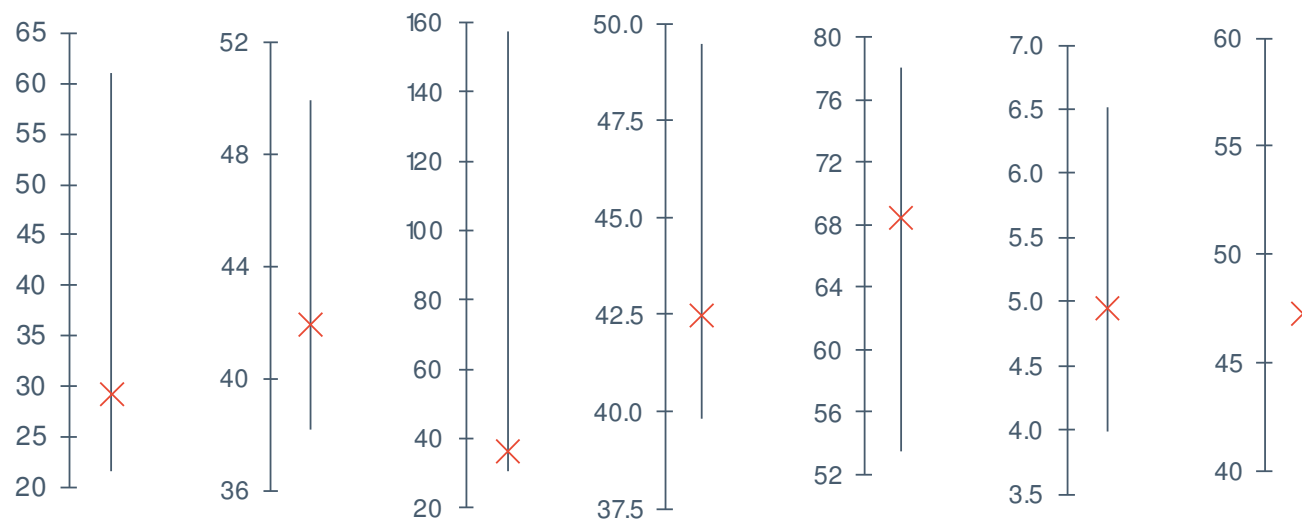




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	16 Jun 17	29.25	41.92	36.50	42.45	68.40	4.94	47.28
Two weeks ago	9 Jun 17	37.50	43.25	36.00	43.30	68.50	5.01	47.95
Four weeks ago	19 May 17	38.75	42.76	40.56	42.23	66.00	4.87	53.10
Last year	17 Jun 16	34.50	40.38	36.30	39.38	54.95	5.72	48.03
Year-on-year %change		-15.2%	3.8%	0.6%	7.8%	24.5%	-13.6%	-16%
Year high		61.00	49.91	157.73	49.45	78.00	6.52	58.04
Year low		21.50	38.14	30.28	39.83	53.50	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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