

Energy Wholesale Market Review

Week Ending 23rd June 2017



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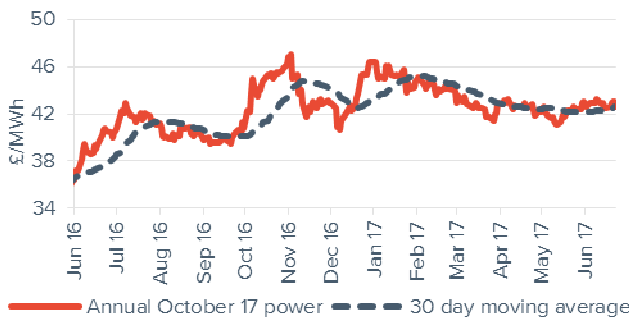
Headlines 23/06/2017

The majority of power contracts and all near-term gas contracts increased this week. Most seasonal gas contracts experienced losses, with a fall in oil and carbon prices. In contrast, coal prices moved higher. On Friday, day-ahead baseload and peak power contracts hit their highest levels since December 2016, with tight supply margins forecast for Monday, amid projections of lower wind and solar generation and higher demand. Week-on-week, baseload day-ahead power jumped 77.4% to £64.8/MWh and its peak counterpart leapt 155.6% to £85.0/MWh. Week-on-week day-ahead gas rose 21.7% to 35.6p/th, rebounding from last week's nine-month low following an end to the recent heatwave. The month-ahead contract climbed 3.1% to 35.5p/th. Most seasonal gas contracts decreased this week, following oil prices lower. Week-on-week winter 17 gas lost 0.8% to 44.4p/th. Summer 18 gas went down 1.3% to 38.6p/th. All seasonal baseload power contracts moved higher this week. Winter 17 power lifted 0.5% to £46.0/MWh. Brent crude oil prices continued a downward trend this week, falling 3.0% to average \$46.4/bl, and ending the week at \$45.3/bl. On Thursday, prices declined to \$45.2/bl, the lowest price since 14 November 2016, amid concerns over the continued oversupply of oil and increasing output in Libya, Nigeria and the US. API 2 coal increased 1.5% to average \$69.2/t. On Tuesday prices hit a seven-month high of \$69.7/t.

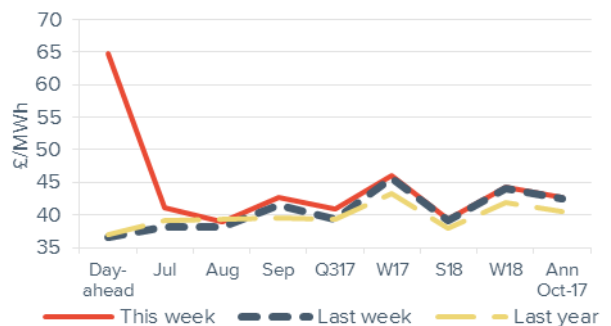
Baseload Electricity

- All near-term baseload power contracts experienced gains this week.
- Day-ahead baseload power leapt 77.4% to £64.8/MWh, its highest level since December 2016, with tight supply margins forecast for Monday, amid projections of lower wind and solar generation and higher demand.
- The month-ahead contract (July) increased by 7.9% to £41.1/MWh.
- The annual October 17 power contract climbed 0.4% to £42.6/MWh.

Annual October Contract



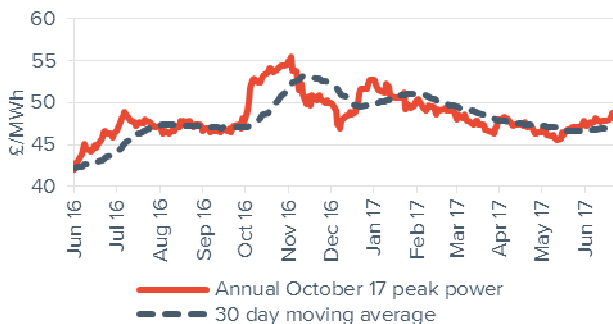
Forward Curve Comparison



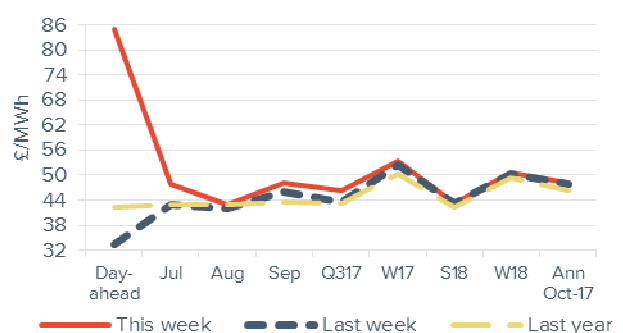
Peak Electricity

- All near-term peak power contracts moved higher this week, following their baseload counterparts upwards.
- Day-ahead peak power jumped 155.6% to £85.0/MWh, its highest price since December 2016. The contract was £20.3/MWh higher than its baseload counterpart.
- The month-ahead (July) contract rose by 11.3% to £47.9/MWh. The contract was £6.8/MWh above its baseload counterpart.
- Annual October 17 peak power lifted 1.0% to £48.3/MWh. The contract was £5.6/MWh above its baseload counterpart.

Annual October Contract

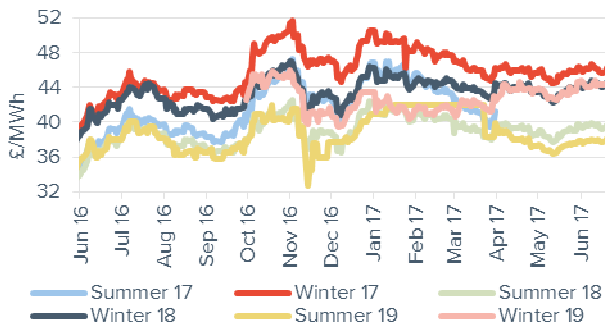


Forward Curve Comparison

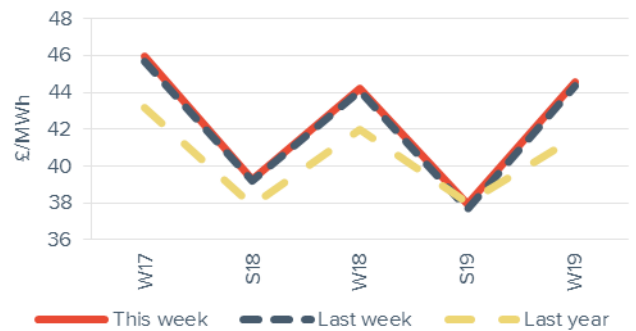


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- All seasonal baseload power contracts moved higher this week.
- Winter 17 power lifted 0.5% to £46.0/MWh.
- Summer 18 power increased by 0.3% to £39.3/MWh.
- Most seasonal peak power contracts experienced gains this week. Winter 17 peak power went up 1.0% to £53.4/MWh.
- On average, seasonal peak contracts increased 1.0% this week.

Supplier Hedging Strategies

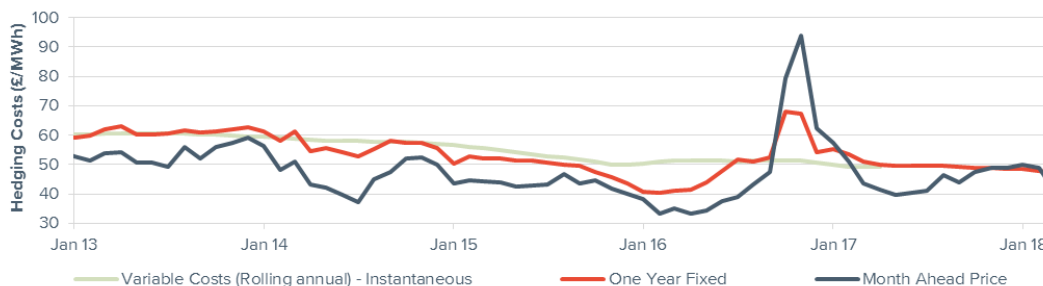
During May, prices continued to fall in the gas and power markets, with all gas contracts experiencing losses and nearly all power contracts following downwards. Brent crude oil, API 2 coal and EU ETS carbon prices also reduced.

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.

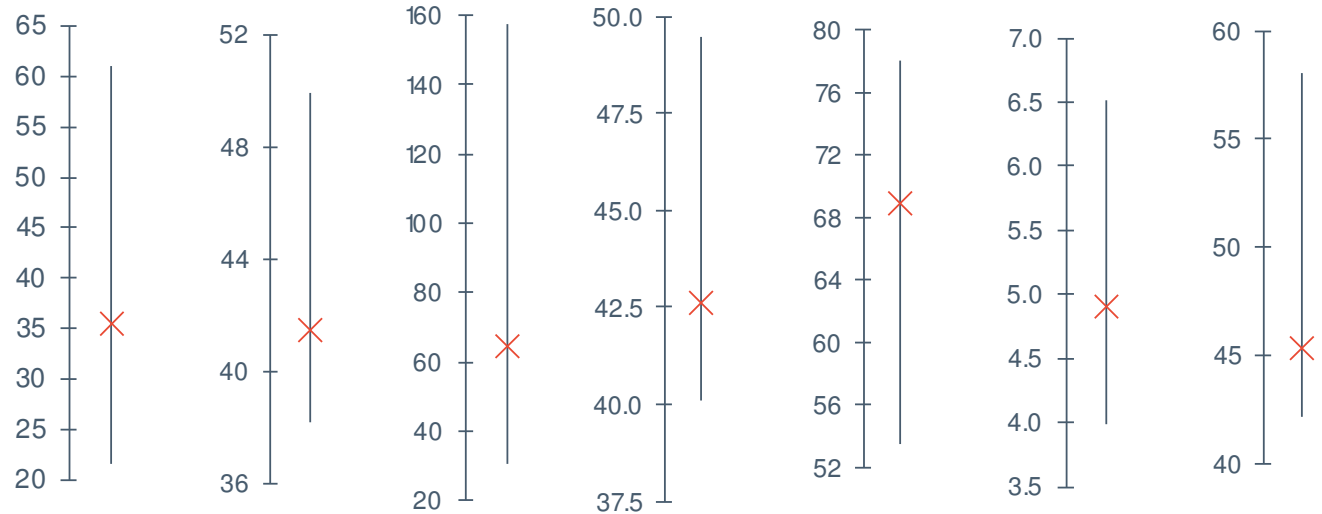




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	23 Jun 17	35.60	41.48	64.75	42.63	68.85	4.91	45.32
Two weeks ago	16 Jun 17	29.25	41.92	36.50	42.45	68.40	4.94	47.28
Four weeks ago	26 May 17	36.50	43.04	36.92	42.44	66.00	5.07	51.79
Last year	24 Jun 16	34.80	42.01	37.00	40.55	55.50	5.04	48.56
Year-on-year % change		2.3%	-1.2%	75.0%	5.1%	24.1%	-2.6%	-6.7%
Year high		61.00	49.91	157.73	49.45	78.00	6.52	58.04
Year low		21.50	38.14	30.28	40.08	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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