

Energy Wholesale Market Review

Week Ending 7th July 2017



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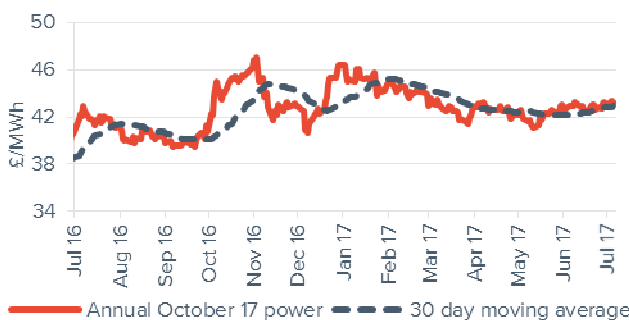
Headlines 07/07/2017

The majority of power and gas contracts increased this week, with Brent crude oil, API 2 coal and EU ETS carbon all experiencing gains. On Friday, day-ahead baseload power jumped 26.4% to £55.0/MWh, with reduced capacity at the Hinkley Point B nuclear plant and forecasts of higher demand for Monday. Day-ahead peak power followed its baseload counterpart higher, leaping 38.8% to £68.0/MWh. Week-on-week, the day-ahead gas contract was flat at 36.0p/th. The new month-ahead (August) gas contract slipped 0.3% to 36.2p/th. Brent crude oil prices lifted 3.7% to average \$48.5/bl. On Tuesday, prices reached a one-month high of \$49.5/bl, amid forecasts of a drop in US crude inventories. Prices received further support after Baker Hughes data showed the number of active US rigs had decreased for the first time in 24 weeks. However, oil prices reversed these gains towards the end of the week and was priced at \$47.0/bl on Friday morning. US Energy Information Administration data showing an increase in US crude production and comments from Russia stating that the nation would oppose further production cuts drove prices lower. API 2 coal rose 2.9% to average \$71.8/t. On Thursday prices hit a near eight-month high of \$72.5/t. Prices were driven higher by increased demand in China where severe flooding led to the country reducing capacity at its top two hydropower plants, with coal filling the gap for power generation.

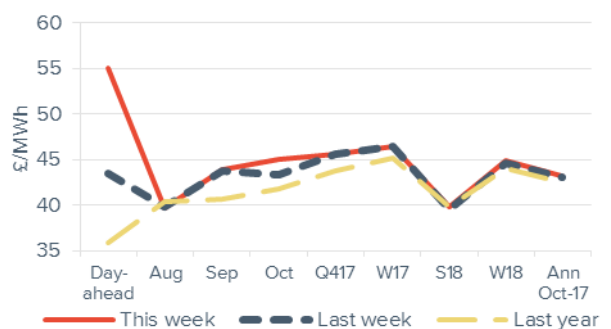
Baseload Electricity

- The majority of near-term baseload power contracts experienced gains this week.
- Day-ahead baseload power jumped 26.4% to £55.0/MWh, with reduced capacity at the Hinkley Point B nuclear plant and forecasts of higher demand for Monday.
- However, the new month-ahead contract (August) decreased by 0.1% to £39.7/MWh.
- The annual October 17 power contract climbed 0.3% to £43.1/MWh.

Annual October Contract



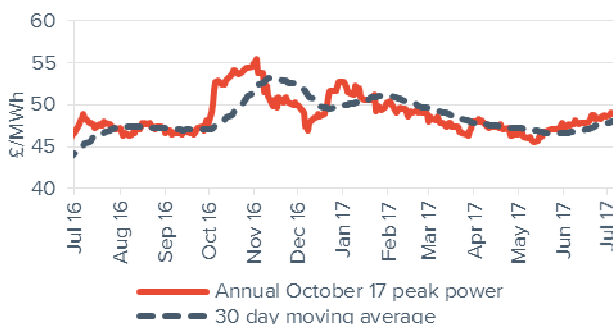
Forward Curve Comparison



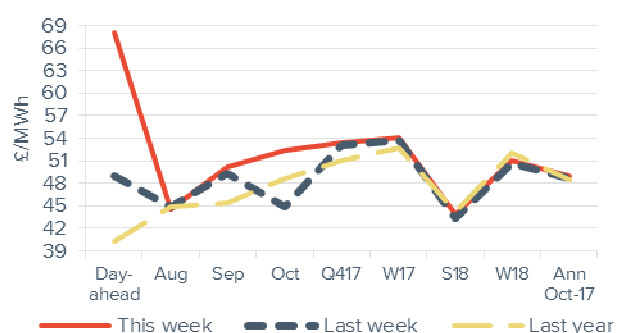
Peak Electricity

- Most near-term peak power contracts experienced gains this week, following their baseload counterparts higher.
- Day-ahead peak power leapt 38.8% to £68.0/MWh. The contract was £13.0/MWh higher than its baseload counterpart.
- The new month-ahead (August) contract lowered by 0.7% to £44.6/MWh. The contract was £4.9/MWh above its baseload counterpart.
- Annual October 17 peak power lifted 0.8% to £49.0/MWh. The contract was £5.9/MWh above its baseload counterpart.

Annual October Contract

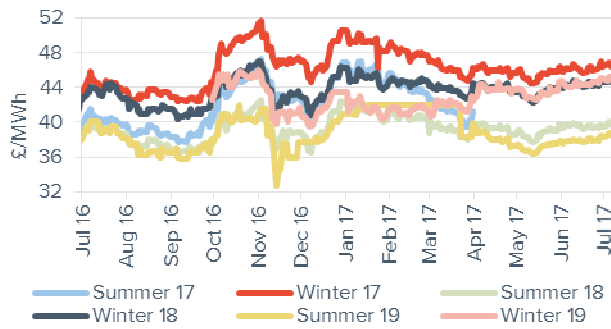


Forward Curve Comparison

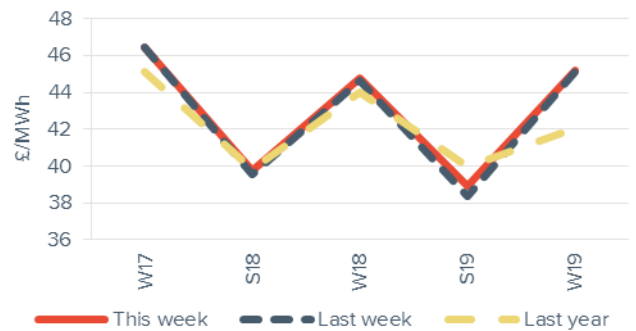


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- All seasonal baseload power contracts moved higher this week.
- Winter 17 power lifted 0.1% to £46.5/MWh.
- Summer 18 power increased by 0.6% to £39.8/MWh.
- All seasonal peak power contracts increased this week. Winter 17 peak power went up 0.6% to £54.2/MWh.
- On average, seasonal peak contracts increased 0.7% last week.

Supplier Hedging Strategies

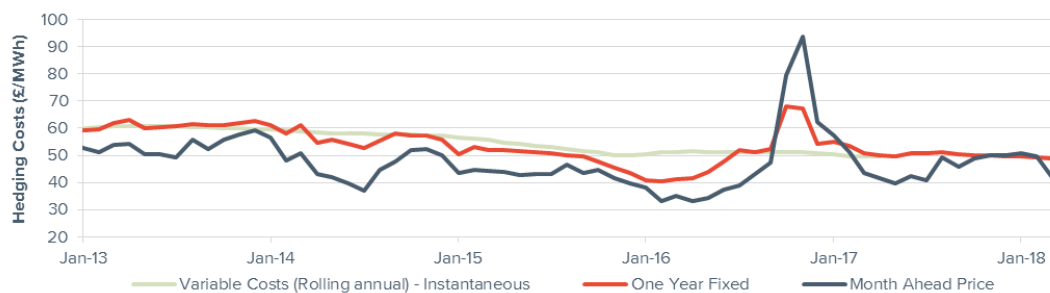
During June, most seasonal gas and power contracts moved higher. Near-term gas contracts experienced losses, whilst near-term power contracts saw mixed movements. API 2 coal and EU ETS carbon prices gained, whilst Brent crude oil prices lowered.

The annual October 17 gas contract slipped 0.5% from May to average 42.3p/th. The annual October 17 baseload power contract gained 1.9% to average £42.9/MWh. Brent crude oil prices dropped 7.3% to average \$47.8/bl in June. On average, API 2 coal prices jumped 4.6% to \$68.5/t, and EU ETS carbon prices increased 6.6% to €5.0/t.

During June, price changes to fixed domestic dual-fuel tariffs were mainly decreases. 37 of the prices changes were decreases, whereas 17 of the price changes were increases. The largest price decrease was SSE's "1 Year Fixed v11" tariff, which fell by 16.0% to £890.3/year. In contrast, the largest price increase was Green Network Energy's "Family 18 Month Fixed V2" tariff, which rose by 8.8% to £978.4/year.

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.

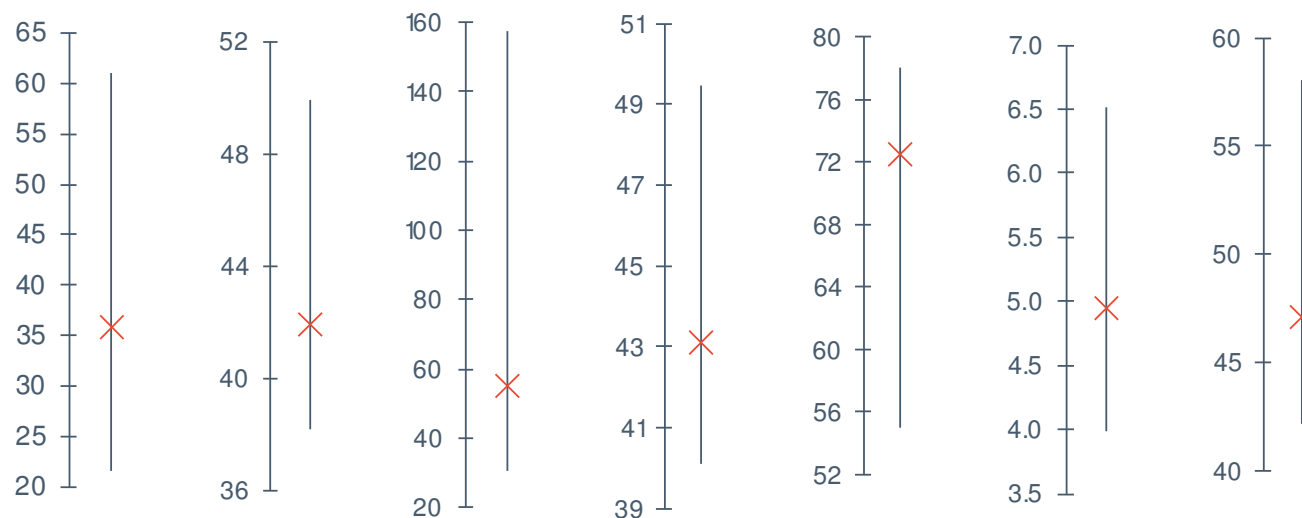




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	7 Jul 17	36.00	41.88	55.00	43.10	72.50	4.95	47.03
Last week	30 Jun 17	36.00	41.68	43.50	42.97	69.80	4.95	47.66
Four weeks ago	9 Jun 17	37.50	43.25	36.00	43.30	68.50	5.01	47.95
Last year	8 Jul 16	33.90	44.38	35.90	42.45	58.00	4.48	46.53
Year-on-year % change		6.2%	-5.6%	53.2%	15%	25.0%	10.5%	1.1%
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	55.00	3.98	42.11

This table shows the prices this week compared with prices from the last week, month and year. The graphs show the position of this 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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