



# Energy Wholesale Market Review

Week Ending 14<sup>th</sup> July 2017



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## Contents

<b>Baseload Electricity</b> .....	<b>3</b>
<b>Peak Electricity</b> .....	<b>3</b>
<b>Seasonal Power Prices</b> .....	<b>4</b>
<b>Supplier Hedging Strategies</b> .....	<b>4</b>
<b>Wholesale price snapshot</b> .....	<b>5</b>
<b>About EDW Technology Limited</b> .....	<b>6</b>



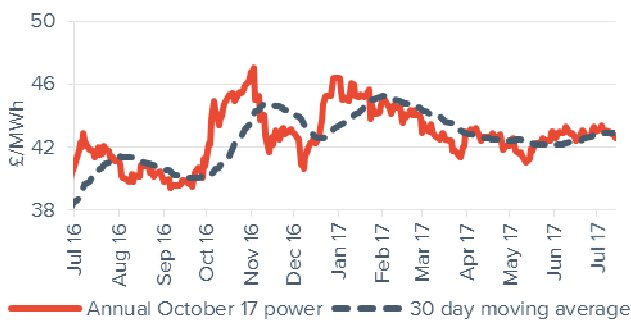
## Headlines 14/07/2017

The majority of power and gas contracts decreased this week, with Brent crude oil and API 2 coal also experiencing losses. In contrast, EU ETS carbon moved higher. Day-ahead baseload power fell 20.9% to £43.5/MWh, down from £55.0/MWh last week, following the return of nuclear capacity after a period of maintenance. The month-ahead contract (August) decreased by 5.5% to £37.5/MWh. Winter 17 power slipped 1.3% to £45.9/MWh. Summer 18 power decreased by 1.0% to £39.4/MWh. Week-on-week, day-ahead gas lost 8.3% to 33.0p/th, with strong flows from Norway. The month-ahead (August) contract dropped 7.4% to 33.5p/th. Week-on-week, winter 17 gas slipped 1.4% to 44.2p/th. Summer 18 gas went down 1.0% to 38.5p/th. Brent crude oil prices lost 2.9% to average \$47.1/bl, despite recording a week-on-week gain. Prices opened the week down at \$46.3/bl, amid concerns over high drilling activity in the US. Ongoing concerns over the effectiveness of OPEC-led production cuts also weighed on prices. Oil prices recovered towards the end of the week and reached \$48.7/bl on Friday morning. API 2 coal lowered 0.2% to average \$71.6/t. On Monday, prices hit a near eight-month high of \$72.6/t. Prices were supported by strong Chinese demand and supply disruptions in South Africa. EU ETS carbon prices jumped 10.1% this week to average €5.5/t. On Monday, prices reached a four-month high of €5.5/t.

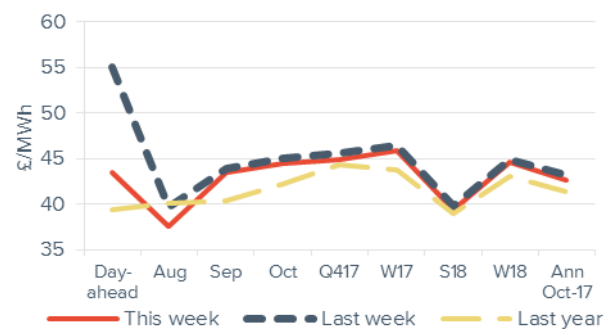
### Baseload Electricity

- All near-term baseload power contracts experienced losses this week.
- Day-ahead baseload power fell 20.9% to £43.5/MWh, following the return of nuclear capacity after a period of maintenance.
- The month-ahead contract (August) decreased by 5.5% to £37.5/MWh.
- The annual October 17 power contract fell 1.2% to £42.6/MWh.

#### Annual October Contract



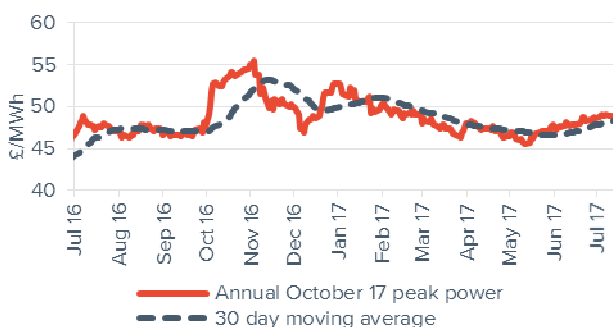
#### Forward Curve Comparison



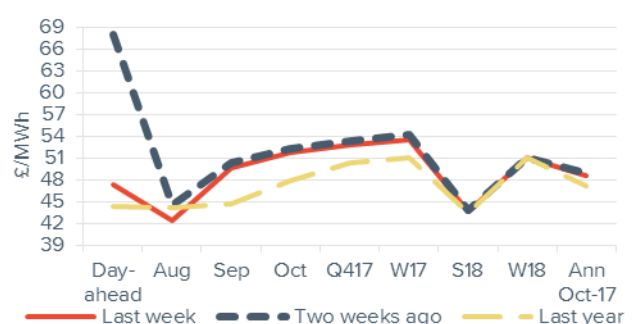
### Peak Electricity

- All near-term peak power contracts experienced losses this week, following their baseload counterparts lower.
- Day-ahead peak power dropped 30.4% to £47.3/MWh. The contract was £3.8/MWh higher than its baseload counterpart.
- The month-ahead (August) contract lost 4.8% to £42.4/MWh. The contract was £4.9/MWh above its baseload counterpart.
- Annual October 17 peak power slipped 0.8% to £48.6/MWh. The contract was £6.0/MWh above its baseload counterpart.

#### Annual October Contract



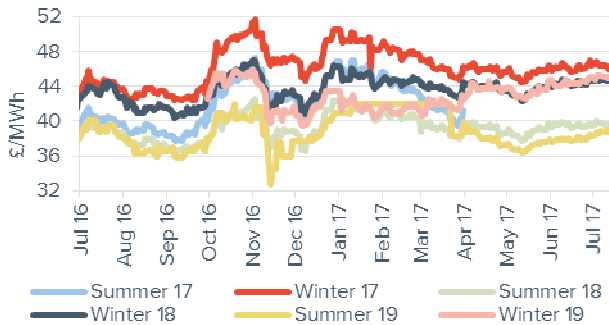
#### Forward Curve Comparison



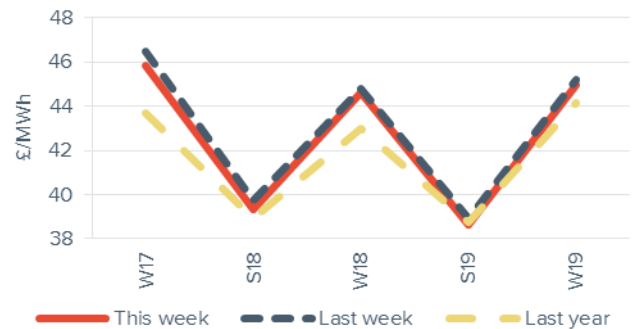


## Seasonal Power Prices

### Seasonal Baseload Power Contracts



### Seasonal Baseload Power Curve



- All seasonal baseload power contracts moved lower this week.
- Winter 17 power slipped 1.3% to £45.9/MWh.
- Summer 18 power decreased by 1.0% to £39.4/MWh.
- Most seasonal peak power contracts decreased this week. Winter 17 peak power went down 1.0% to £53.6/MWh.
- On average, seasonal peak contracts decreased 0.5% this week.

## Supplier Hedging Strategies

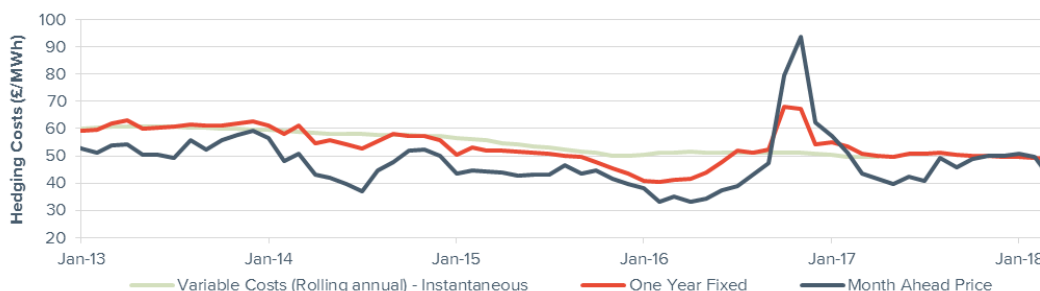
During June, most seasonal gas and power contracts moved higher. Near-term gas contracts experienced losses, whilst near-term power contracts saw mixed movements. API 2 coal and EU ETS carbon prices gained, whilst Brent crude oil prices lowered.

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 price 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.

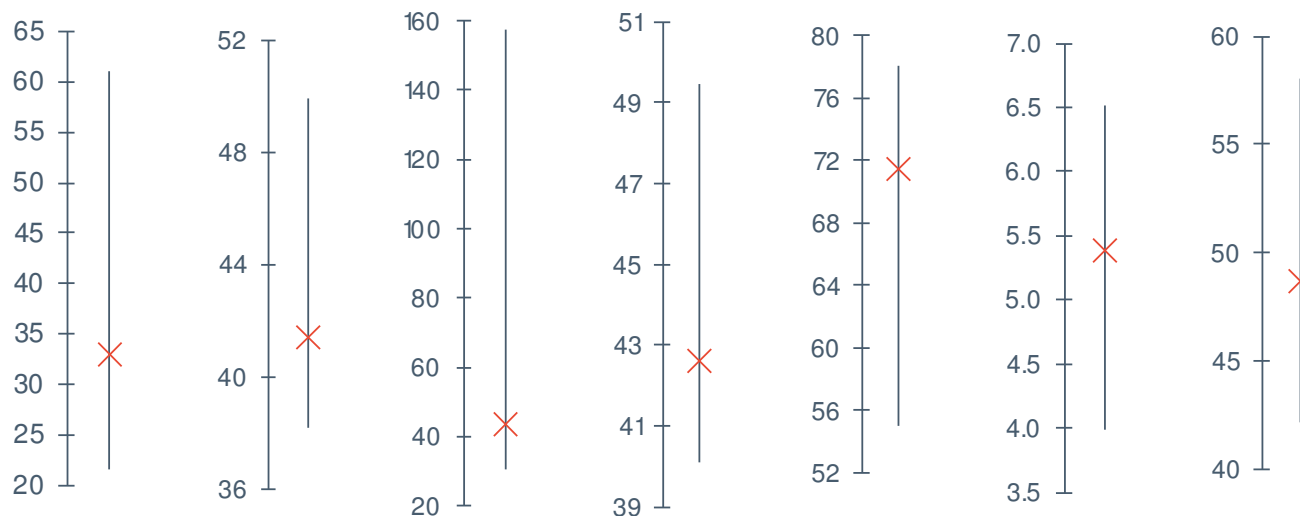




## Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/b)
This week	14 Jul 17	33.00	41.38	43.50	42.60	71.45	5.38	48.67
Last week	7 Jul 17	36.00	41.88	55.00	43.10	72.50	4.95	47.03
Four weeks ago	16 Jun 17	29.25	41.92	36.50	42.45	68.40	4.94	47.28
Last year	15 Jul 16	33.00	43.25	39.40	41.33	59.00	4.68	46.91
Year-on-year %change		0.0%	-4.3%	10.4%	3.1%	21.1%	15.0%	3.8%
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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