



Energy Wholesale Market Review

Week Ending 21st July 2017



edw technology

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



Contents

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



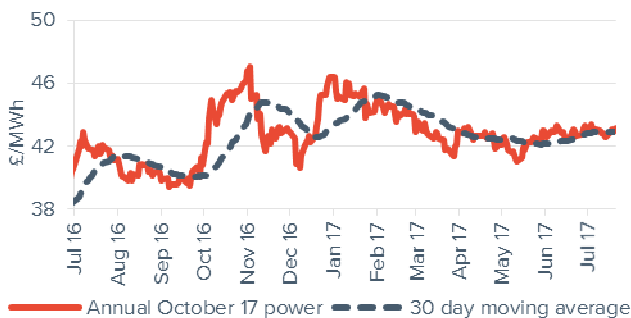
Headlines 21/07/2017

The majority of power contracts increased this week, as all gas contracts, Brent crude oil and API 2 coal experienced gains. In contrast, EU ETS carbon moved lower. Day-ahead baseload power fell 7.5% to £40.3/MWh, with higher wind generation week-on-week. The month-ahead contract (August) increased by 4.7% to £39.3/MWh. Winter 17 power lifted 0.9% to £46.3/MWh. Summer 18 power climbed by 1.7% to £40.0/MWh. Week-on-week, day-ahead gas rose 13.6% to 37.5p/th, with an ongoing outage at the Kollsnes gas processing plant restricting imports from Norway and leading to an undersupplied system. The month-ahead (August) contract climbed 10.2% to 36.9p/th. Week-on-week, winter 17 gas moved 2.6% higher to 45.4p/th. Summer 18 gas went up 2.1% to 39.3p/th. Brent crude oil prices climbed 4.3% to average \$49.2/bl. Prices were supported by a slowdown in the growth of US drilling rigs, higher Chinese demand, a decrease in Saudi Arabian crude exports, US Energy Information Administration data showing a fall in US crude and gasoline inventories and a weakening US dollar. API 2 coal rose 1.4% to average \$72.7/t. On Thursday, prices hit an eight-month high of \$73.0/t. Prices were supported by strong Chinese demand and further supply disruptions in South Africa, Australia and Indonesia. EU ETS carbon prices decreased 0.7% this week to average €5.4/t.

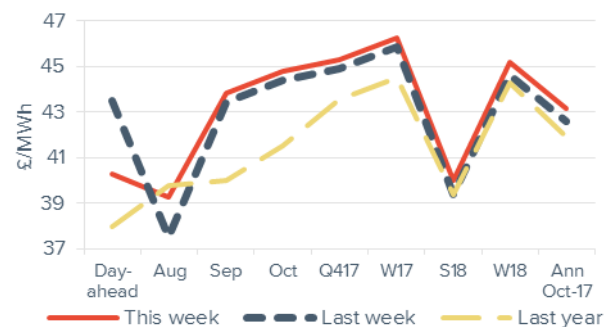
Baseload Electricity

- Most near-term baseload power contracts increased this week.
- The only exception was day-ahead baseload power, which fell 7.5% to £40.3/MWh, with higher wind generation week-on-week a contributing factor.
- The month-ahead contract (August) increased by 4.7% to £39.3/MWh.
- The annual October 17 power contract increased 1.2% to £43.1/MWh.

Annual October Contract



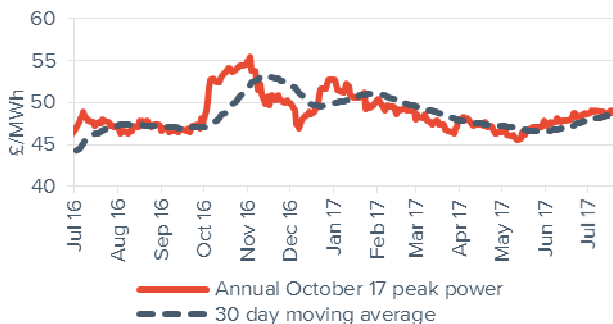
Forward Curve Comparison



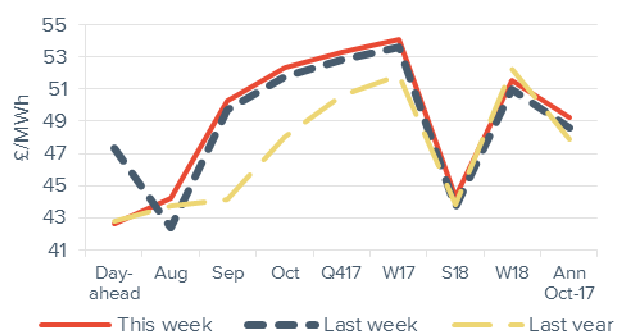
Peak Electricity

- Most near-term peak power contracts experienced gains this week, following their baseload counterparts higher.
- The only exception was day-ahead peak power, which dropped 9.9% to £42.7/MWh. The contract was £2.4/MWh higher than its baseload counterpart.
- The month-ahead (August) contract climbed 4.4% to £44.3/MWh. The contract was £5.0/MWh above its baseload counterpart.
- Annual October 17 peak power gained 1.2% to £49.2/MWh. The contract was £6.1/MWh above its baseload counterpart.

Annual October Contract



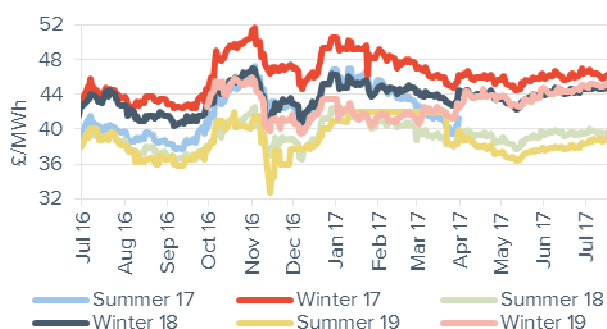
Forward Curve Comparison



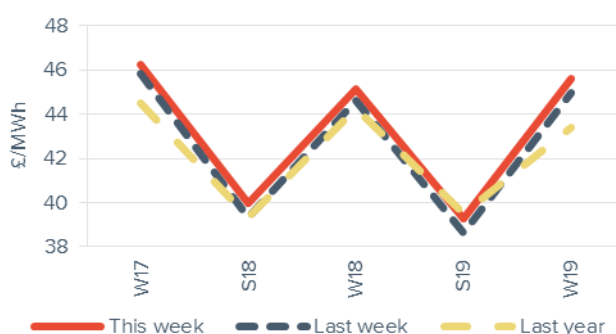


Seasonal Power Prices

Seasonal Baseload Power Contracts



Seasonal Baseload Power Curve



- All seasonal baseload power contracts moved higher this week.
- Winter 17 power lifted 0.9% to £46.3/MWh.
- Summer 18 power climbed by 1.7% to £40.0/MWh.
- All seasonal peak power contracts increased this week. Winter 17 peak power went up 0.9% to £54.1/MWh.
- On average, seasonal peak contracts increased 1.2% last week.

Supplier Hedging Strategies

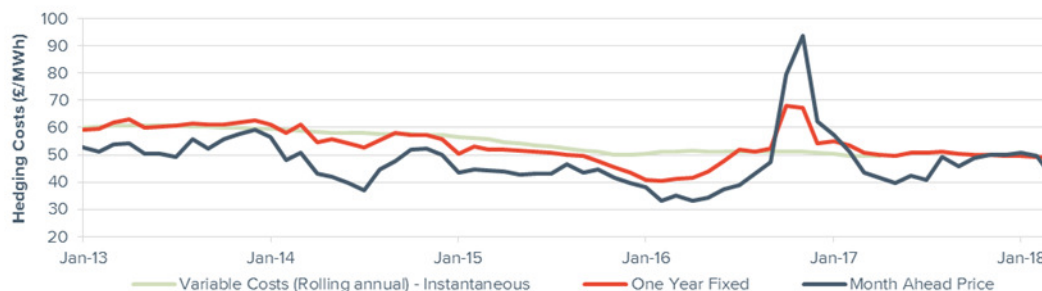
During June, most seasonal gas and power contracts moved higher. Near-term gas contracts experienced losses, whilst near-term power contracts saw mixed movements. API 2 coal and EU ETS carbon prices gained, whilst Brent crude oil prices declined.

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, the price changes seen 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.

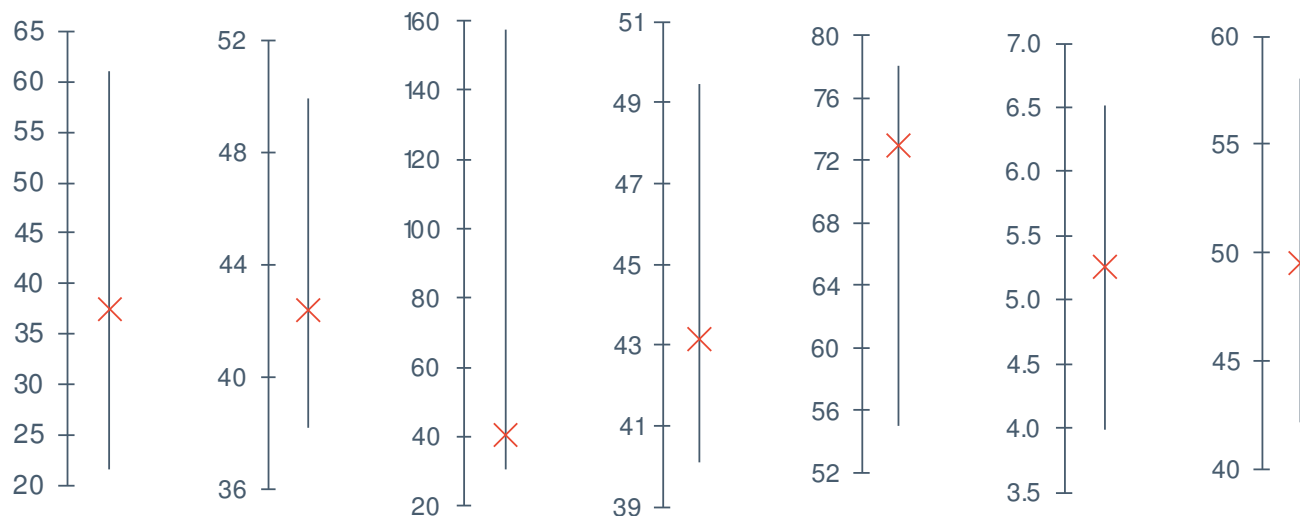




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/b)
This week	21 Jul 17	37.50	42.36	40.25	43.13	73.00	5.26	49.52
Last week	14 Jul 17	33.00	41.38	43.50	42.60	71.45	5.38	48.67
Four weeks ago	23 Jun 17	35.60	41.48	64.75	42.63	68.85	4.91	45.32
Last year	22 Jul 16	35.80	44.01	37.97	41.93	58.50	4.65	46.23
Year-on-year %change		4.7%	-3.7%	6.0%	2.9%	24.8%	13.1%	7.1%
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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com

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