



Energy Wholesale Market Review

Week Ending 11th August 2017



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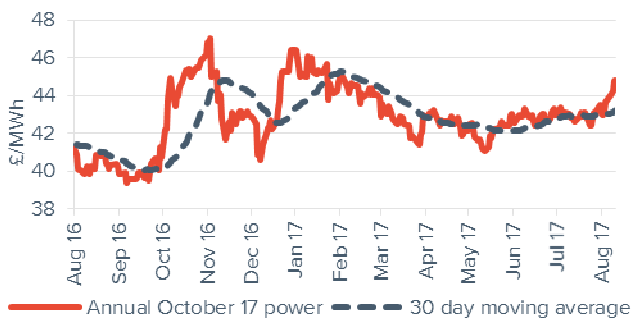
Headlines 11/08/2017

A number of power and gas contracts hit multi-month highs this week along with Brent crude oil and API 2 coal prices. EU ETS carbon prices also experienced gains. Day-ahead baseload power ranged between £41.0/MWh and £44.0/MWh, ending the week up 2.4% on the previous Friday at £43.0/MWh, due to lower wind generation forecast for Monday. The month-ahead power contract (September) increased 4.2% to £47.3/MWh. All seasonal baseload power contracts moved higher this week, hitting multi-month highs. Winter 17 power climbed 2.8% to £48.0/MWh, a five-month high, while summer 18 power rose 2.5% to £41.6/MWh, a six-month high. Week-on-week, the day-ahead gas contract rose 8.8% to 42.7p/th, a five-month high, with an unplanned outage at the Cygnus gas field contributing to an undersupplied system. The month-ahead (September) contract gained 8.0% to 42.9p/th, and the contract is now 5.3% above its level this time last year (37.6p/th). All seasonal gas contracts rose this week, also hitting multi-month highs. Week-on-week, winter 17 gas moved 4.4% higher to 47.8p/th, and summer 18 gas went up 3.9% to 41.4p/th, both of which were five-month highs. Brent crude oil prices climbed 0.1% to average \$52.3/bl. On Thursday, Brent crude oil reached an eleven-week high of \$53.3/bl. API 2 coal rose 1.5% to average \$75.7/t. On Thursday, prices hit a nine-month high of \$76.5/t.

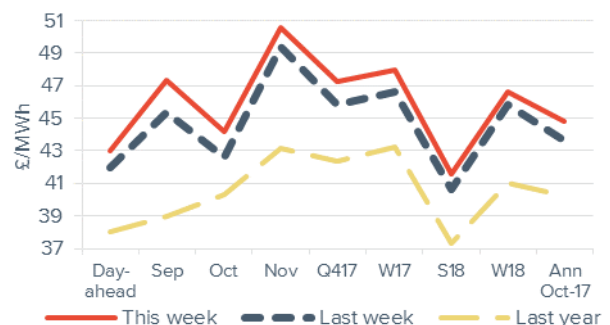
Baseload electricity

- All baseload power contracts moved higher this week, following their gas counterparts upward.
- Day-ahead baseload power gained 2.4% to £43.0/MWh, with lower wind generation forecast for Monday.
- The month-ahead contract (September) increased by 4.2% to £47.3/MWh.
- The annual October 17 power contract increased 2.6% to £44.8/MWh, a six-month high.

Annual October contract



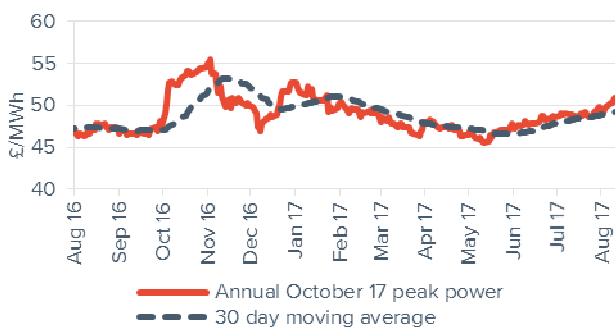
Forward curve comparison



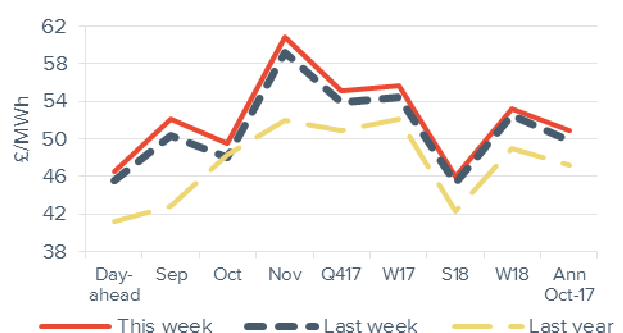
Peak electricity

- Similar to their baseload counterparts, all peak power contracts increased this week.
- Day-ahead peak power lifted 2.0% to £46.5/MWh. The contract was £3.5/MWh higher than its baseload counterpart.
- The month-ahead (September) contract climbed 3.7% to £52.2/MWh. The contract was £4.9/MWh above its baseload counterpart.
- Annual October 17 peak power gained 2.0% to £50.9/MWh, a six-month high. The contract was £6.1/MWh above its baseload counterpart.

Annual October contract



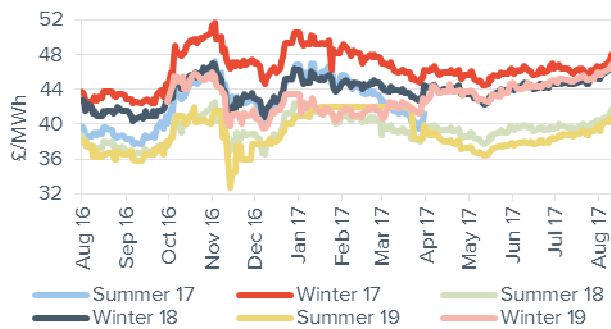
Forward curve comparison



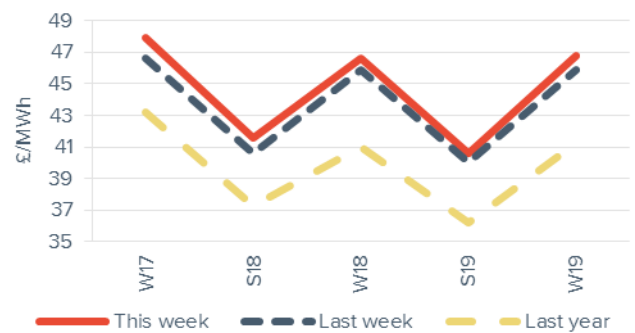


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal baseload power contracts moved higher this week, hitting multi-month highs.
- Winter 17 power climbed 2.8% to £48.0/MWh, a five-month high.
- Summer 18 power rose 2.5% to £41.6/MWh, a six-month high.
- All seasonal peak power contracts rose this week, and reached multi-month highs.
- Winter 17 peak power climbed 2.4% to £55.7/MWh, a six-month high.
- On average, seasonal peak contracts increased by 1.6%.

Supplier hedging strategies

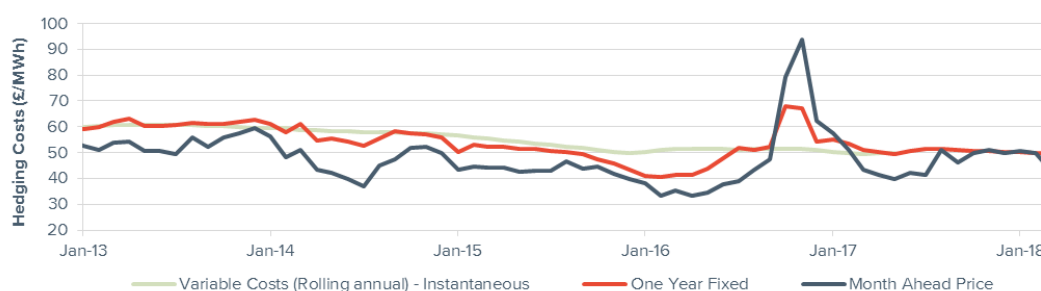
The majority of power contracts along the forward curve increased in July, supported by an underlying rise in commodity prices. In contrast, gas contracts experienced mixed movements.

The annual October 17 gas contract lost 1.0% in July to average 41.9p/th. The annual October 17 baseload power contract gained 0.2% to average £43.0/MWh. Brent crude oil prices climbed 2.4% to average \$52.5/bl. On average, API 2 coal prices jumped 5.8% to \$72.5/t, and EU ETS carbon prices increased 5.2% to €5.5/t.

During July, the price changes seen to fixed domestic dual-fuel tariffs were mainly decreases. 14 of the price changes were decreases, whereas 11 were increases. The largest price decrease was Green Network Energy's "Family Green 18 Month Fixed v4" tariff, which fell by 7.5% to £893.8/year. In contrast, the largest price increase was E.ON UK's "Saver Fixed 1 Year v12" tariff, which rose by 8.1% to £1,030.0/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.

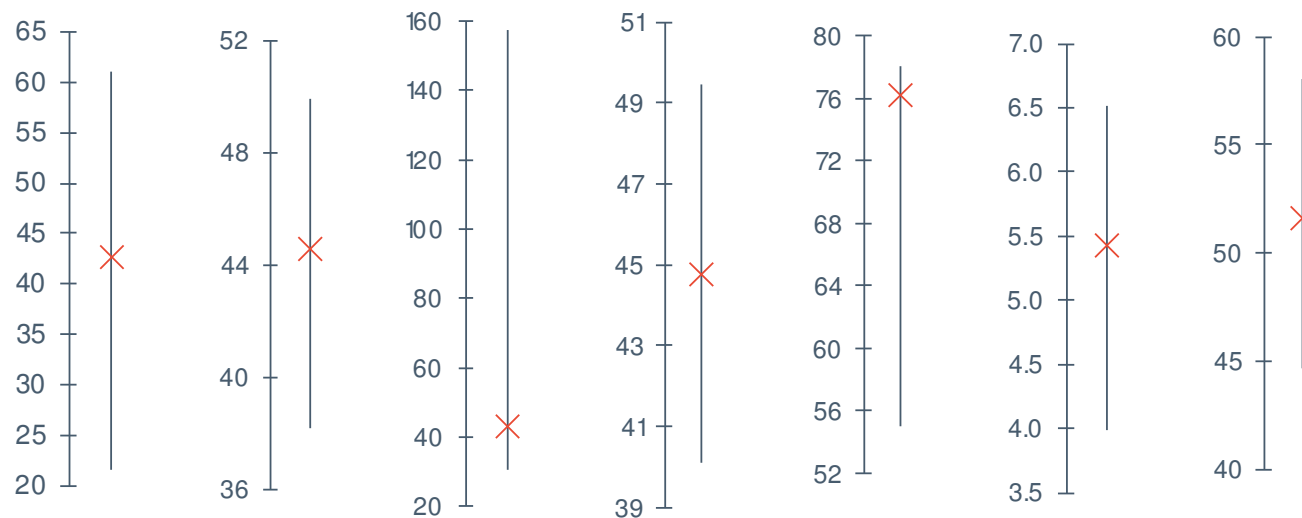




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	11 Aug 17	42.70	44.58	43.00	44.78	76.25	5.42	51.60
Last week	4 Aug 17	39.25	42.79	42.00	43.63	74.75	5.36	51.65
Four weeks ago	14 Jul 17	33.00	41.38	43.50	42.60	71.45	5.38	48.67
Last year	12 Aug 16	32.00	41.51	38.00	40.25	59.50	4.90	46.07
Year-on-year % change		33.4%	7.4%	13.2%	11.2%	28.2%	10.6%	12.0%
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	44.64

This table shows the prices this week compared with prices from 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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