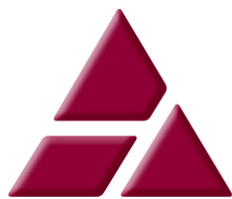




Energy Wholesale Market Review

Week Ending 18th August 2017



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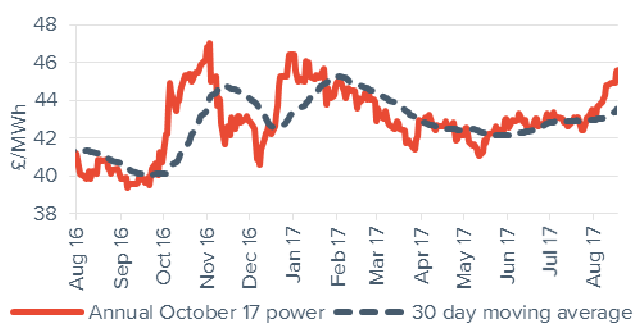
Headlines 18/08/2017

Several power and gas contracts hit new highs this week along with API 2 coal prices. All baseload power contracts moved higher this week. Day-ahead baseload power increased 10.5% week-on-week, reaching £47.5/MWh, a fresh five-week high. September 17 power reached £49.6/MWh on Friday, the highest price on our records for the contract. Prices were supported by concerns of nuclear power outages in France. Winter 17 power ended the week at a seven-month high of £49.25/MWh. Like their baseload counterparts, all peak power contracts increased this week. All near-term gas contracts increased this week. Week-on-week, the day-ahead contract rose 2.9% to a fresh five-month high of 44.0p/th, amid restricted flows caused by ongoing maintenance in Norway and the UKCS. On Friday, the month-ahead gas contract rose to 43.98p/th, the highest price on our records for the contract. Near-term prices were generally supported by concerns about the reliability of supply with extensions to Norwegian outages, sparse LNG arrivals and storage site issues. Most seasonal gas contracts experienced losses this week. Summer 18 gas slipped 0.5% to 41.2p/th. On Thursday, winter 17 gas reached a five-month high of 48.23p/th. Brent crude oil prices slipped 2.4% to average \$51.0/bl, with continued concerns over rising crude output from OPEC members and the US. API 2 coal rose 1.0% to average \$76.4/t. On Friday, coal prices reached \$78.50/t, the highest price since September 2014, with strong Asian demand and following the oil market upwards.

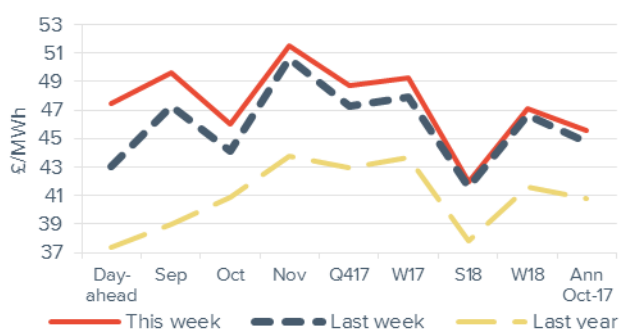
Baseload electricity

- All baseload power contracts moved higher this week, with many reaching new highs.
- Day-ahead baseload power increased 10.5% week-on-week, reaching £47.5/MWh, a fresh five-week high.
- September 17 power reached £49.6/MWh on Friday, the highest price on our records for the contract.
- The annual October 17 power contract increased 1.8% to £45.6/MWh.

Annual October contract



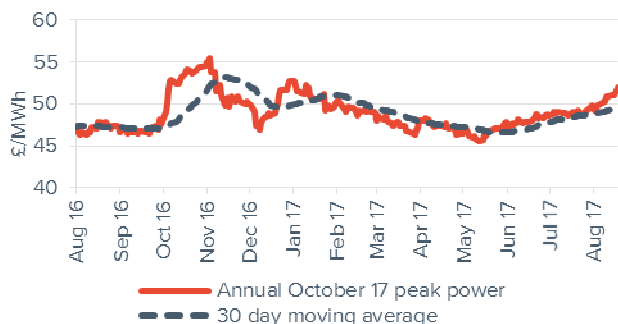
Forward curve comparison



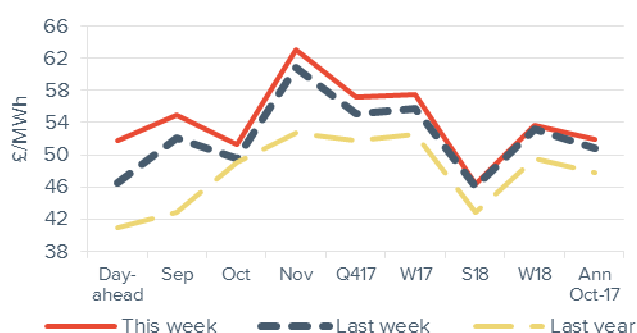
Peak electricity

- Like their baseload counterparts, all peak power contracts increased this week.
- Day-ahead peak power lifted 11.3% to £51.8/MWh. The contract was £4.3/MWh higher than its baseload counterpart.
- The month-ahead (September) contract climbed 5.3% to £54.9/MWh. The contract was £5.3/MWh above its baseload counterpart.
- Annual October 17 peak power gained 2.1% to £51.9/MWh. The contract was £6.3/MWh above its baseload counterpart.

Annual October contract



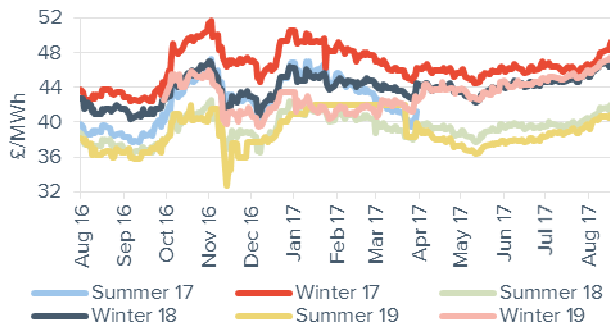
Forward curve comparison



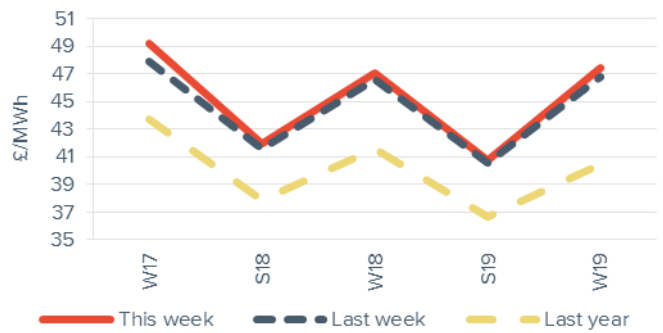
Seasonal power prices



Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal baseload power contracts moved higher this week.
- Winter 17 power ended the week at a seven-month high of £49.25/MWh.
- Summer 18 power rose 0.8% to £42.0/MWh. Winter 19 power was up 1.5% to £47.5/MWh, the highest price on our records for the contract.
- All seasonal peak power contracts rose this week.
- Winter 17 peak power climbed 3.1% to £57.5/MWh.
- On average, seasonal peak contracts increased by 1.3%.

Supplier hedging strategies

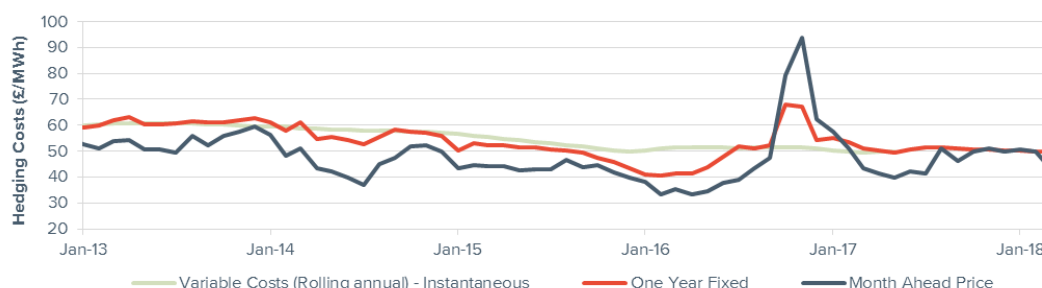
The majority of power contracts along the forward curve increased in July, supported by an underlying rise in commodity prices. In contrast, gas contracts experienced mixed movements.

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.

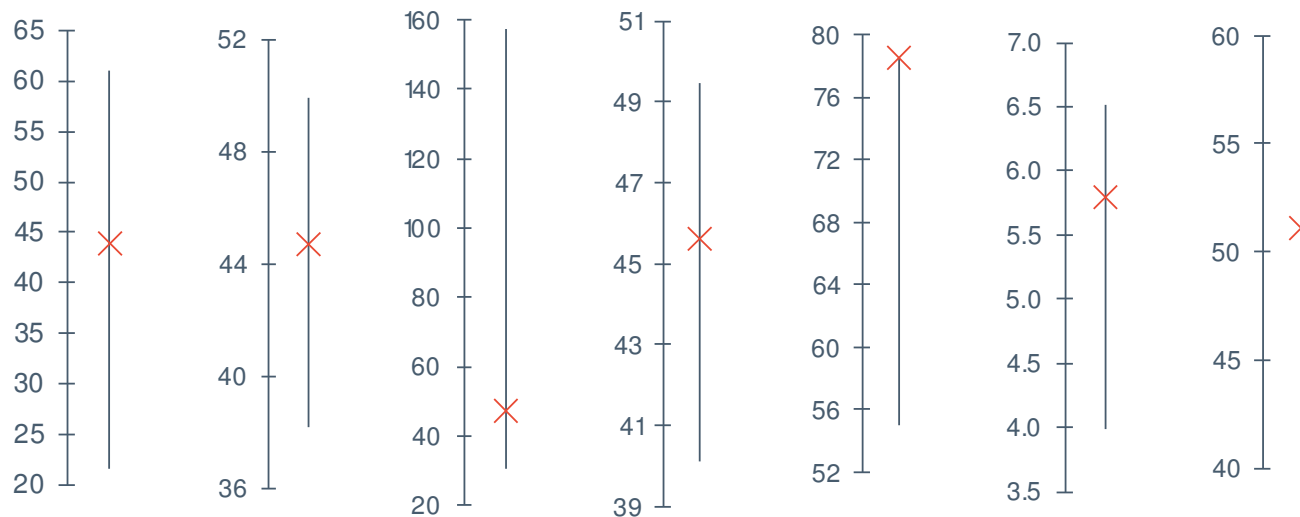




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	18 Aug 17	43.95	44.68	47.50	45.60	78.50	5.80	51.12
Two weeks ago	11 Aug 17	42.70	44.58	43.00	44.78	76.25	5.42	51.60
Four weeks ago	21 Jul 17	37.50	42.36	40.25	43.13	73.00	5.26	49.52
Last year	19 Aug 16	28.30	41.92	37.35	40.78	57.00	4.80	50.74
Year-on-year %change		55.3%	6.6%	27.2%	11.8%	37.7%	20.8%	0.7%
Year high		61.00	49.91	157.73	49.45	78.50	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 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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