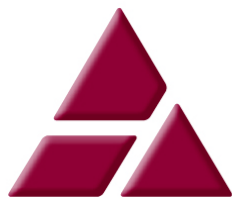




# Energy Wholesale Market Review

Week Ending 1<sup>st</sup> September 2017



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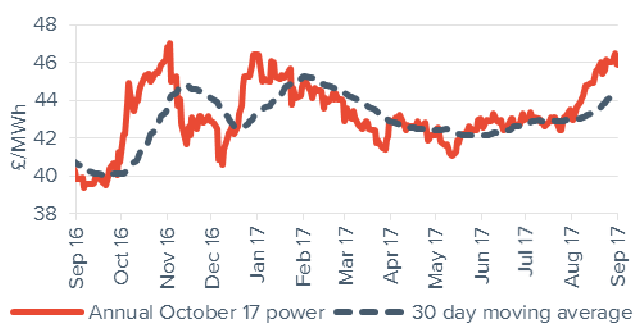
## Headlines 01/09/2017

Several power and gas contracts hit new multi-month highs this week, along with API 2 coal and EU ETS carbon prices. Higher demand forecasts and rising gas prices pushed day-ahead baseload power upwards 9.2% to £47.5/MWh, but most baseload contracts further along the forward curve slipped slightly. Week-on-week the new month-ahead (October) contract fell 0.6% to £47.2/MWh. However, on Wednesday the contract reached £48.5/MWh, the highest price on our records going back to July 2016. Winter 17 power slipped 0.1% to £50.3/MWh but also saw a Wednesday peak, climbing to £51.1/MWh, a near eleven-month high. All near-term gas contracts increased this week, hitting multi-month highs. Week-on-week, the day-ahead contract rose 2.5% to 45.5p/th. On Wednesday, day-ahead gas hit a six-month high of 46.3p/th, amid cooler weather and lower supplies from Norway. The new month-ahead (October) contract rose 0.6% to 45.3p/th. On Wednesday, the contract reached 45.9p/th, its highest price on our records going back to July 2016. Brent crude oil prices slipped 0.8% to average \$51.8/bl. The arrival of Hurricane Harvey in the Gulf of Mexico caused the shutdown of around 4.4mn bl/d of refining capacity, weighing on prices. API 2 coal rose 0.8% to average \$78.7/t, and on Wednesday reached \$79.2/t, a three-year high. EU ETS carbon prices rose 1.7% to average €6.0/t. On Wednesday, prices reached a near eight-month high of €6.1/t.

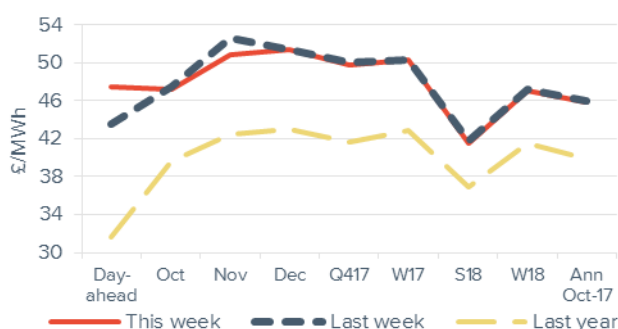
### Baseload electricity

- The majority of near-term baseload power contracts decreased this week.
- The only exception was the day-ahead contract which rose 9.2% to £47.5/MWh, due to higher demand forecast for Monday.
- The new month-ahead (October) contract slipped 0.6% to £47.2/MWh.
- The annual October 17 power contract lost 0.3% to £45.9/MWh.

#### Annual October contract



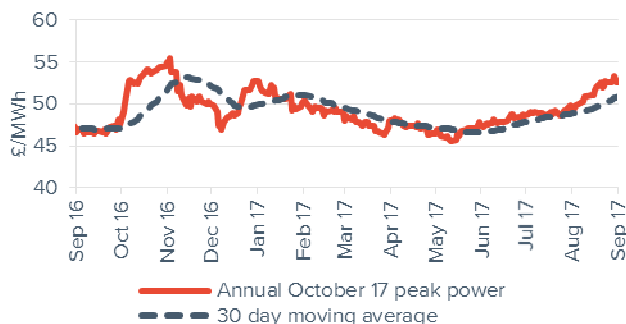
#### Forward curve comparison



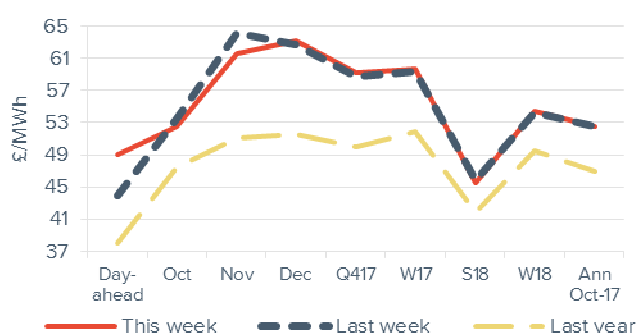
### Peak electricity

- Near-term peak power contracts experienced mixed movements.
- Day-ahead peak power gained 11.4% to £49.0/MWh. The contract was £1.5/MWh higher than its baseload counterpart.
- The new month-ahead (October) contract dropped 1.8% to £52.6/MWh. The contract was £5.3/MWh above its baseload counterpart.
- Annual October 17 peak power remained flat at £52.6/MWh. The contract was £6.7/MWh above its baseload counterpart.

#### Annual October contract



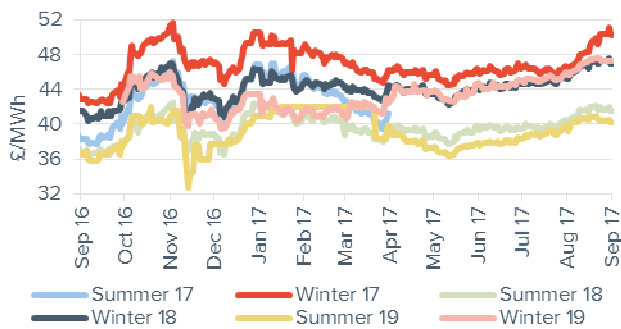
#### Forward curve comparison



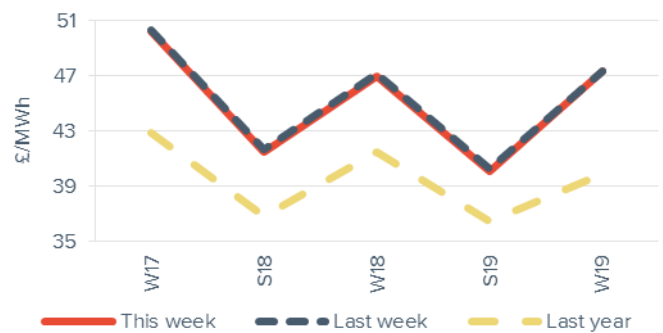


## Seasonal power prices

### Seasonal baseload power contracts



### Seasonal baseload power curve



- All seasonal baseload power contracts decreased this week.
- Winter 17 power slipped 0.1% to £50.3/MWh.
- Winter 18 power lost 0.4% to £47.0/MWh.
- Seasonal peak power contracts experienced mixed movements this week.
- Winter 17 peak power climbed 0.6% to £59.7/MWh.
- In contrast, Summer 18 peak power slipped 0.9% to £45.5/MWh.

## Supplier hedging strategies

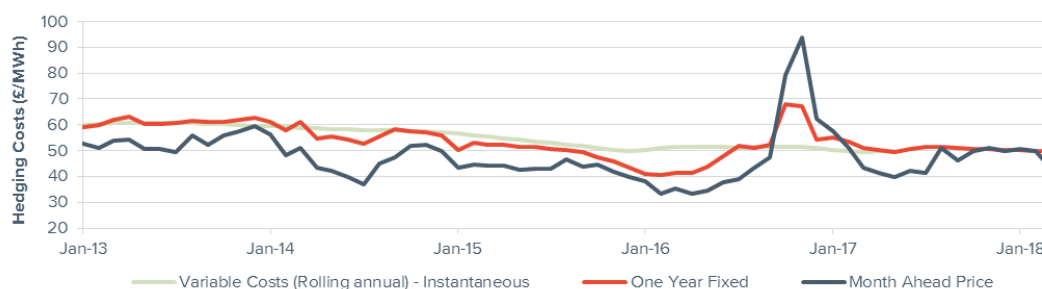
The majority of power contracts along the forward curve increased in July, supported by an underlying rise in commodity prices. In contrast, gas contracts experienced mixed movements.

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.

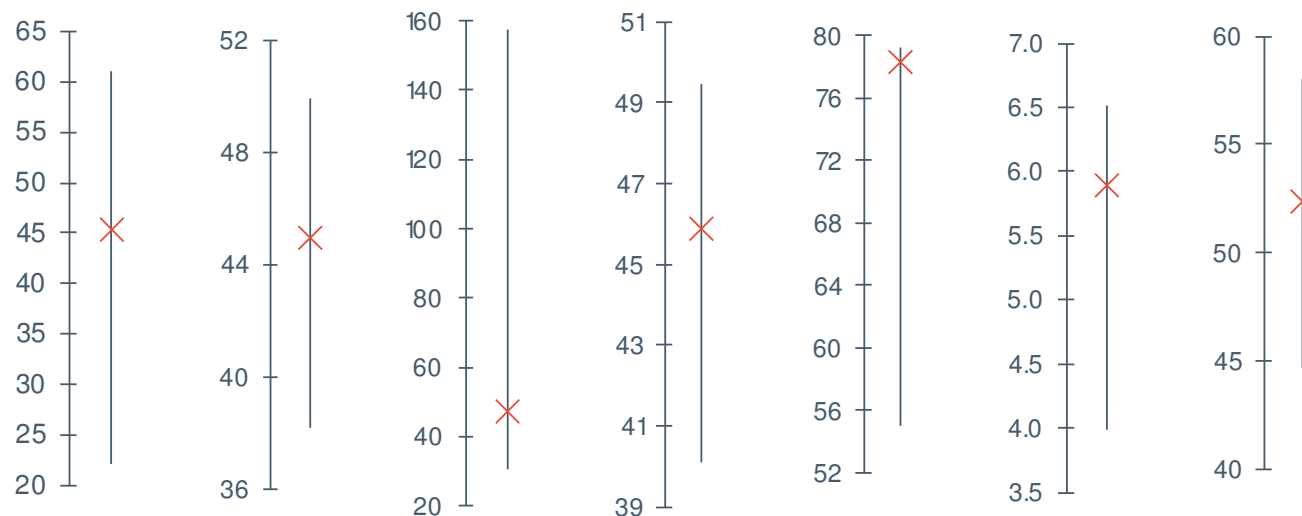




## Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	1 Sep 17	45.50	44.95	47.50	45.88	78.25	5.89	52.32
Last week	25 Aug 17	44.40	44.99	43.50	46.00	78.80	5.98	52.45
Four weeks ago	4 Aug 17	39.25	42.79	42.00	43.63	74.75	5.36	51.65
Last year	2 Sep 16	23.75	39.85	31.62	39.88	58.30	4.03	45.83
Year-on-year %change		91.6%	12.8%	50.2%	15.0%	34.2%	46.2%	14.2%
Year high		61.00	49.91	157.73	49.45	79.20	6.52	58.04
Year low		22.15	38.14	30.28	40.08	55.00	3.98	44.64

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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