



# Energy Wholesale Market Review

Week Ending 8<sup>th</sup> September 2017



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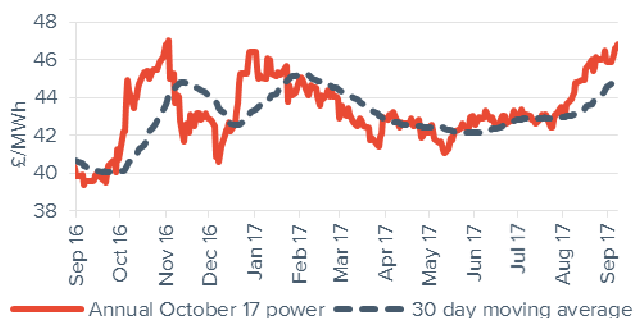
## Headlines 08/09/2017

The majority of power contracts and all gas contracts increased this week, whilst API 2 coal, EU ETS carbon and Brent crude oil prices all reached fresh highs. However, near-term baseload power contracts experienced mixed trends. The day-ahead contract lost 6.3% to £44.5/MWh, with higher wind generation forecast for Monday. The month-ahead (October) contract slipped 1.5% to £46.5/MWh. All seasonal baseload power contracts increased this week, with some contracts hitting multi-year highs. Summer 18 and winter 18 power gained 2.7% and 2.3% to £42.6/MWh and £48.1/MWh respectively, their highest prices since July 2015. All gas contracts increased this week. Week-on-week, the day-ahead contract rose 1.6% to 46.3p/th, with lower temperatures leading to higher demand. The month-ahead (October) contract rose 0.4% to 45.4p/th. Winter 18 gas climbed 3.0%, reaching a seven-month high of 49.9p/th. Brent crude oil prices gained 3.5% to average \$53.6/bl. On Friday, prices reached a four-month high of \$54.7/bl. API 2 coal rose 1.2% to average \$79.6/t. On Wednesday, prices reached \$80.1/t, a fresh three-year high, with strong European demand amid low levels of hydro and gas stocks in some European countries. EU ETS carbon prices increased 7.8% this week to average €6.5/t. On Friday, EU ETS carbon reached €7.0/t, its highest price since January 2016, following the rare cancellation of an EUA auction.

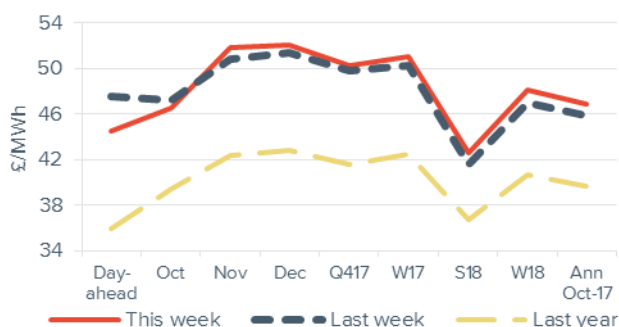
### Baseload electricity

- Near-term baseload power contracts experienced mixed movements this week.
- The day-ahead contract lost 6.3% to £44.5/MWh, with higher wind generation forecast for Monday.
- The month-ahead (October) contract slipped 1.5% to £46.5/MWh.
- The annual October 17 power contract climbed 2.1% to £46.8/MWh.

Annual October contract



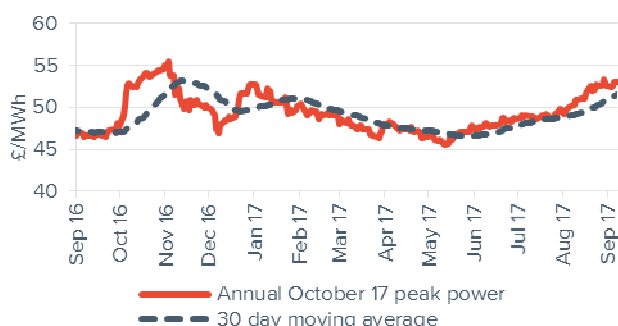
Forward curve comparison



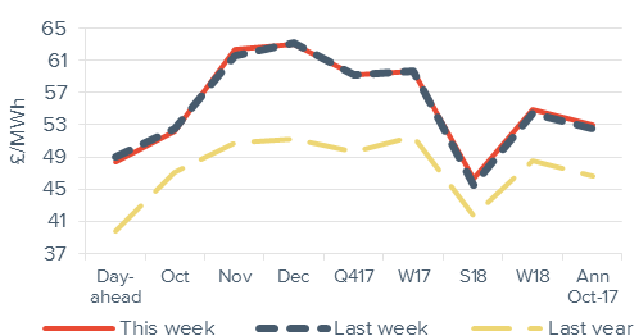
### Peak electricity

- Most near-term peak power contracts decreased this week.
- Day-ahead peak power slipped 1.4% to £48.3/MWh. The contract was £3.8/MWh higher than its baseload counterpart.
- The month-ahead (October) contract lost 0.8% to £52.2/MWh. The contract was £5.7/MWh above its baseload counterpart.
- Annual October 17 peak power lifted 1.0% to £53.1/MWh. The contract was £6.2/MWh above its baseload counterpart.

Annual October contract



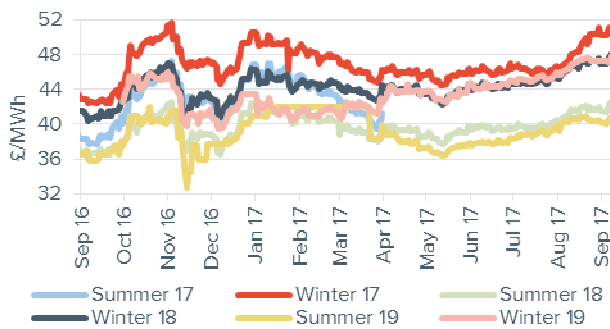
Forward curve comparison



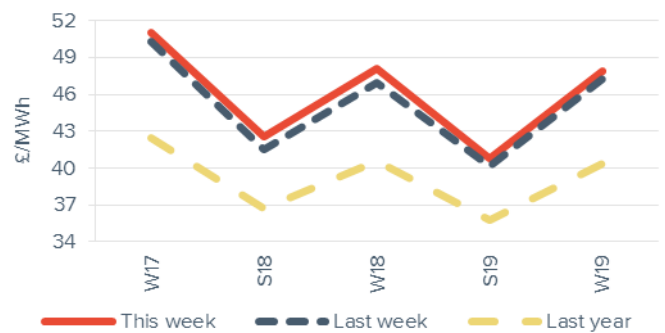


## Seasonal power prices

### Seasonal baseload power contracts



### Seasonal baseload power curve



- All seasonal baseload power contracts increased this week.
- Winter 17 power rose 1.6% to £51.1/MWh.
- Summer 18 and winter 18 power gained 2.7% and 2.3% to £42.6/MWh and £48.1/MWh, respectively, their highest prices since July 2015.
- All seasonal peak power contracts increased.
- Winter 17 peak power climbed 0.2% to £59.8/MWh, and summer 18 peak power rose 2.0% to £46.4/MWh.
- On average, seasonal peak contracts climbed 1.1%.

## Supplier hedging strategies

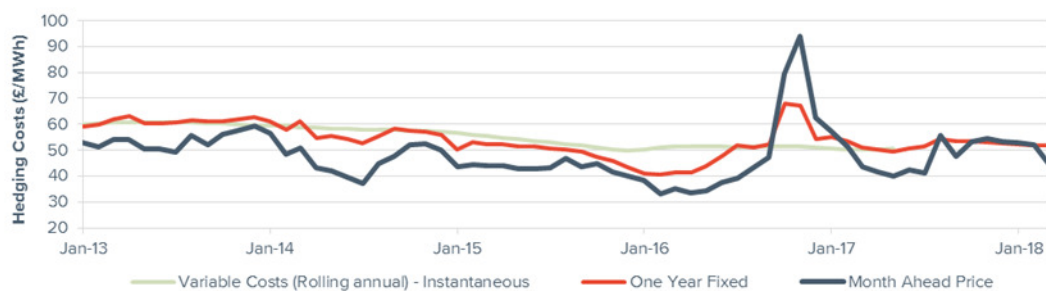
A number of gas and power contracts hit multi-month highs in August along with Brent crude oil, API 2 coal and EU ETS carbon prices.

The annual October 17 gas contract rose 5.3% in August to average 44.1p/th. The annual October 17 baseload power contract gained 4.7% to average £45.0/MWh. Brent crude oil prices climbed 6.0% to average \$51.9/bl. On average, API 2 coal prices jumped 5.8% to \$76.6/t, and EU ETS carbon prices increased 7.8% to €5.7/t.

During August, the price changes seen to fixed domestic dual-fuel tariffs were broadly similar to the previous month. 32 of the price changes were decreases, whereas 31 were increases. The largest price decrease was Affect Energy's "Fixed Until September 2018" tariff, which fell by 7.9% to £873.8/year. In contrast, the largest price increase was Solarplicity's "Fair Market Price 1 Year Fixed – August 2017" tariff, which rose by 16.8% to £1,121.9/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.

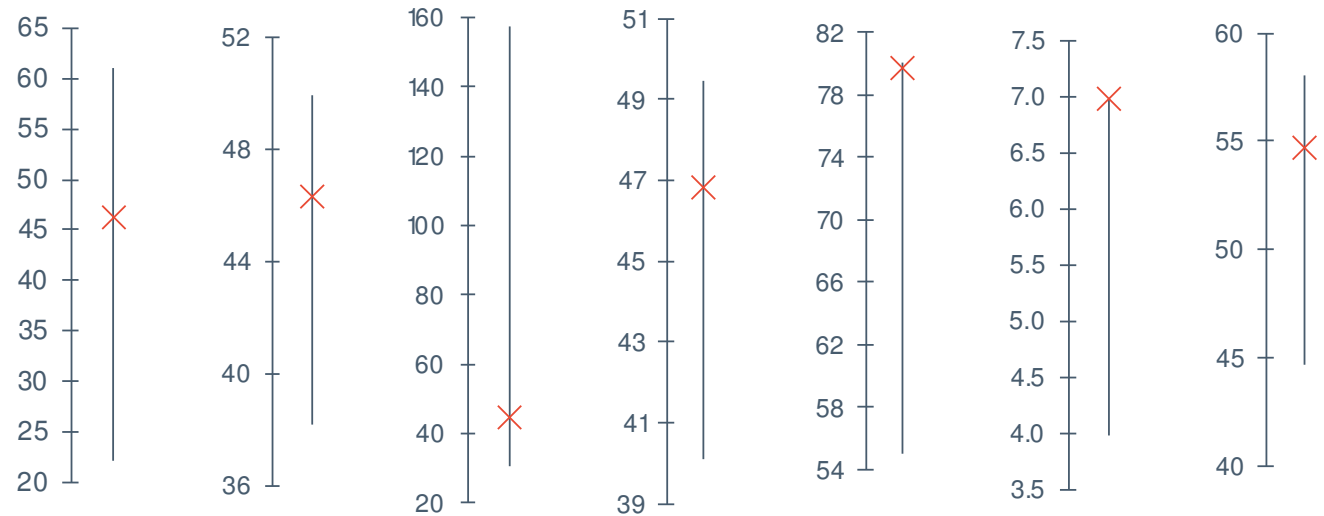




## Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	8 Sep 17	46.25	46.32	44.50	46.83	79.75	6.98	54.68
Last week	1 Sep 17	45.50	44.95	47.50	45.88	78.25	5.89	52.32
Four weeks ago	11 Aug 17	42.70	44.58	43.00	44.78	76.25	5.42	51.60
Last year	9 Sep 16	24.90	39.32	35.90	39.60	56.25	4.12	49.41
Year-on-year % change		85.7%	17.8%	24.0%	18.2%	41.8%	69.4%	10.7%
Year high		61.00	49.91	157.73	49.45	80.10	6.98	58.04
Year low		22.15	38.14	30.75	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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