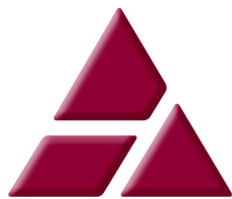




Energy Wholesale Market Review

Week Ending 15th September 2017



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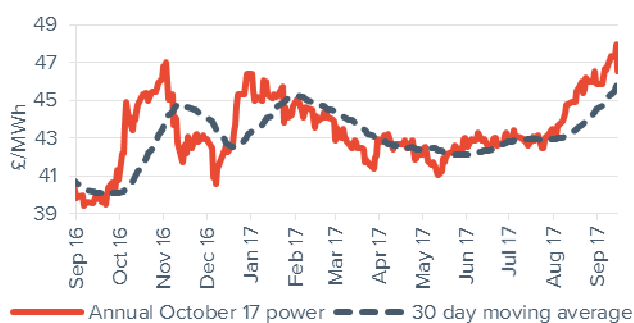
Headlines 15/09/2017

Brent crude oil, API 2 coal and EU ETS carbon prices continued to reach new multi-month highs this week. In contrast, the majority of power and gas contracts experienced losses. Most baseload power contracts decreased. An exception was the day-ahead contract, which gained 23.6% to £55.0/MWh, a two-month high, with lower wind generation forecast for Monday. On Wednesday, the day-ahead peak power contract was at a discount to baseload power, with the peak contract priced at £47.8/MWh compared to baseload's £48.0/MWh. This was due to forecasts of high renewables output with wind generation forecast to average 6.8GW and solar generation forecast to peak at 4.2GW. The majority of gas contracts decreased this week. The only exception was the day-ahead contract, which lifted 0.5% to 46.5p/th, with lower temperatures leading to higher demand. Brent crude oil prices gained 2.2% to average \$54.8/bl. On Friday, prices reached a near five-month high of \$55.6/bl. API 2 coal prices rose 3.1% to average \$82.0/t. On Thursday, prices reached \$83.8/t, its highest price since January 2014, as strong demand from Asia continued to prove bullish. EU ETS carbon prices jumped 8.9% this week to average €7.0/t. On Thursday, EU ETS carbon reached €7.6/t, its highest price since January 2016, following a breakthrough in closed-door talks intended to overhaul the carbon market post-2020.

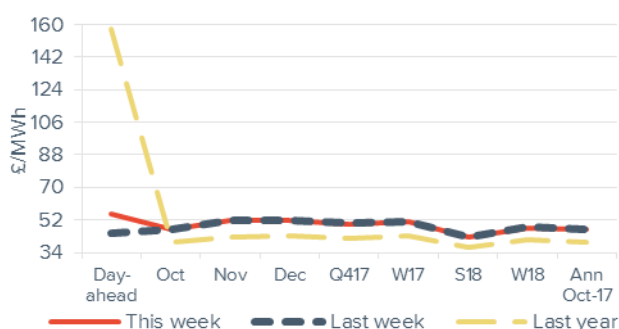
Baseload electricity

- Most near-term baseload power contracts experienced losses this week.
- An exception was the day-ahead contract, which gained 23.6% to £55.0/MWh, a two-month high, with lower wind generation forecast for Monday and concerns over lower IFA interconnector capacity.
- Another exception was the month-ahead (October) contract, which lifted 0.4% to £46.7/MWh.
- The annual October 17 power contract dropped 0.7% to £46.5/MWh.

Annual October contract



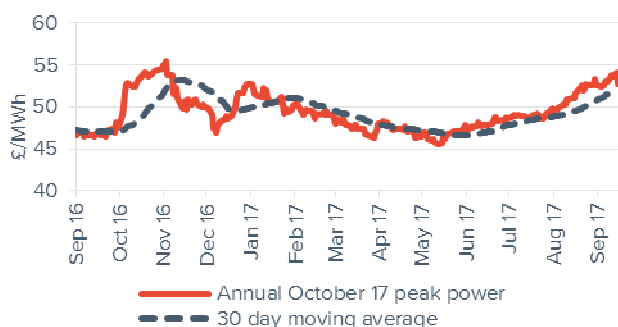
Forward curve comparison



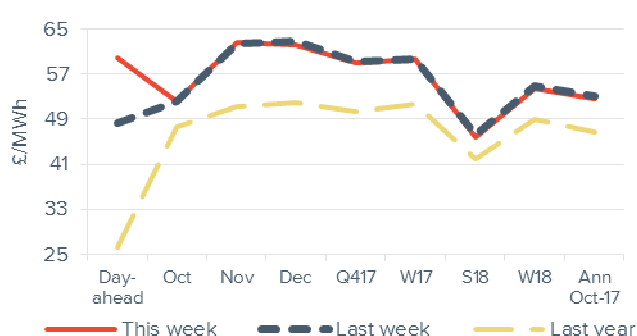
Peak electricity

- Most near-term peak power contracts increased this week.
- Day-ahead peak power jumped 24.1% to £60.0/MWh. The contract was £5.0/MWh higher than its baseload counterpart.
- The month-ahead (October) contract lifted 0.2% to £52.2/MWh. The contract was £5.5/MWh above its baseload counterpart.
- Annual October 17 peak power slipped 0.6% to £52.7/MWh. The contract was £6.2/MWh above its baseload counterpart.

Annual October contract



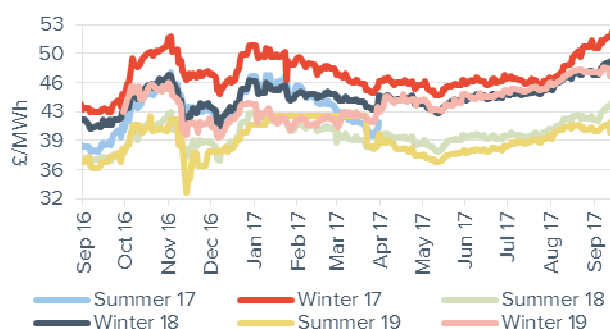
Forward curve comparison



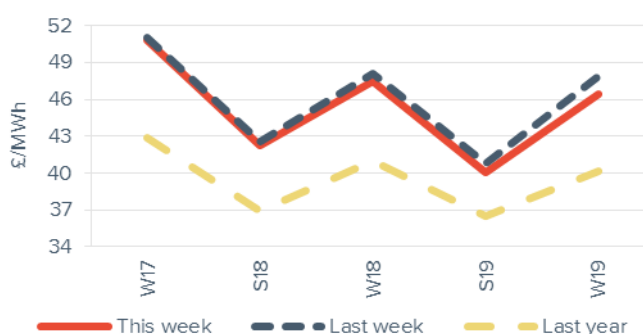


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal baseload power contracts decreased this week.
- Winter 17 power slipped 0.4% to £50.8/MWh.
- Summer 18 power lost 0.9% to £42.2/MWh.
- All seasonal peak power contracts decreased.
- Winter 17 peak power lost 0.3% to £59.6/MWh, and summer 18 peak power dropped 1.1% to £45.9/MWh.
- On average, seasonal peak contracts lowered by 1.3%.

Supplier hedging strategies

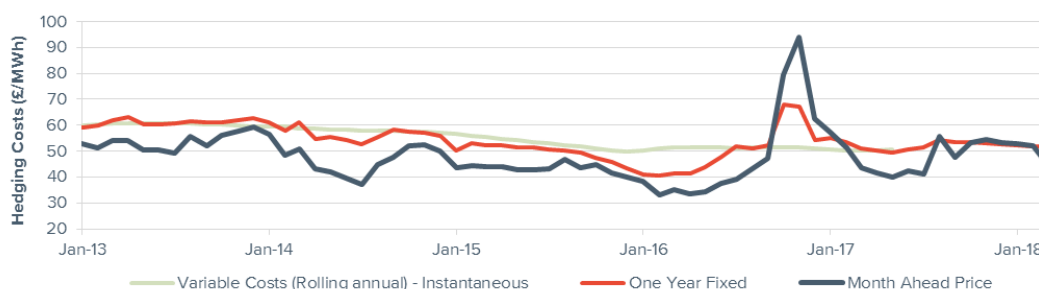
A number of gas and power contracts hit multi-month highs in August along with Brent crude oil, API 2 coal and EU ETS carbon prices.

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.

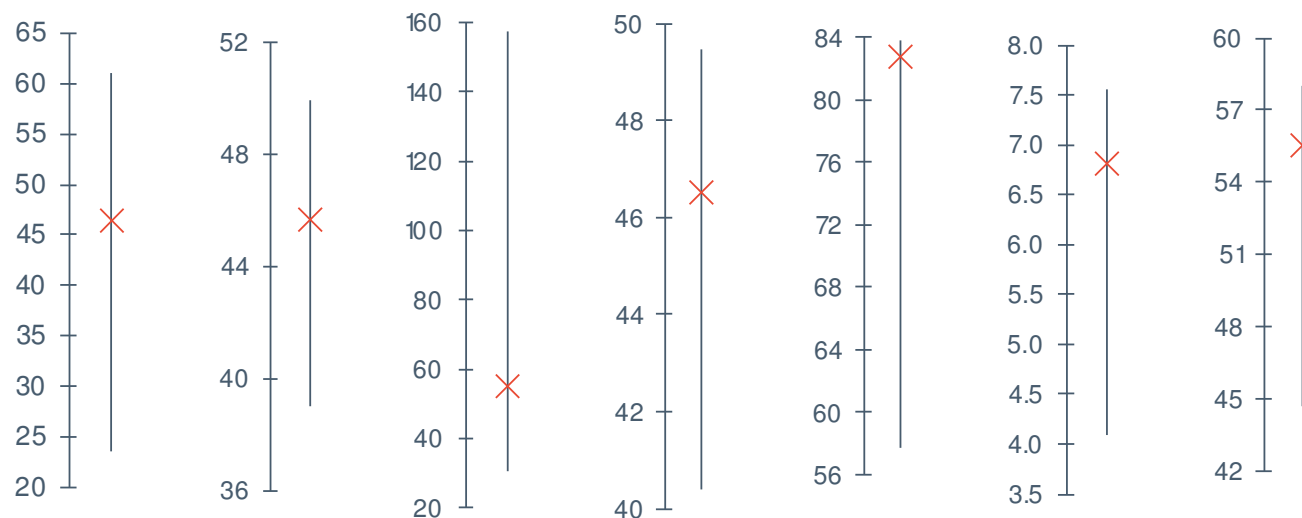




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	15 Sep 17	46.50	45.63	55.00	46.52	82.70	6.81	55.55
Last week	8 Sep 17	46.25	46.32	44.50	46.83	79.75	6.98	54.68
Four weeks ago	18 Aug 17	43.95	44.68	47.50	45.60	78.50	5.80	51.12
Last year	16 Sep 16	28.65	39.67	157.73	39.90	57.75	4.23	45.94
Year-on-year % change		62.3%	15.0%	-65.1%	16.6%	43.2%	61.0%	20.9%
Year high		61.00	49.91	157.73	49.45	83.80	7.55	58.04
Year low		23.50	39.03	30.75	40.40	57.75	4.09	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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