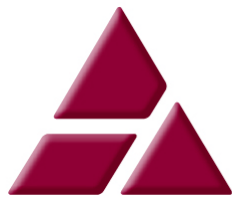




Energy Wholesale Market Review

Week Ending 22nd September 2017



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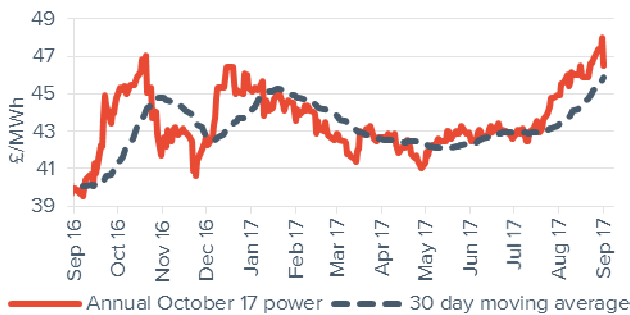
Headlines 22/09/2017

Brent crude oil and API 2 coal prices continued to reach fresh highs last week. In contrast, all power and gas contracts experienced losses. The day-ahead power contract subsided 20.9% to £43.5/MWh. This was despite continued maintenance to the IFA interconnector, reducing it to 1,000MW, half its full capacity. The month-ahead (October) contract fell 2.6% to £45.5/MWh. Winter 17 power lowered 1.6% to £50.0/MWh, and summer 18 power lost 1.2% to £41.7/MWh. All gas contracts decreased last week. The day-ahead gas contract slipped 4.5% to 44.4p/th, with expectations that LNG shipments to the UK will increase next week. Winter 17 gas decreased 1.7% to 48.8p/th, and the summer 18 contract lost 1.5% to 41.0p/th. On average, seasonal gas contracts slipped 1.0%. Although seasonal gas contracts moved lower this week, they are still notably above their levels a few months ago. This is largely due to expectations that gas supplies for this winter will be tight, following the recent closure of the UK's largest gas storage facility, Rough, and low gas storage levels across Europe. Brent crude oil prices grew 2.2% to average \$55.9/bl. On Friday, prices reached a five-month high of \$56.4/bl, supported by rising demand and the news of potential extensions to OPEC production cuts. API 2 coal experienced further gains this week, reaching a fresh three-year high of \$84.0/t. EU ETS carbon prices slipped 2.4% this week to average €6.9/t.

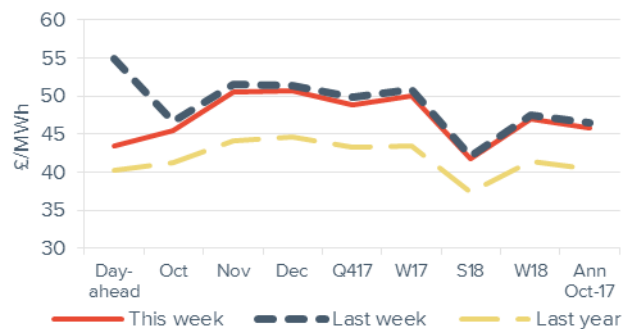
Baseload electricity

- All near-term baseload power contracts experienced losses this week.
- The day-ahead contract declined 20.9% to £43.5/MWh. This was despite continued maintenance to the IFA interconnector and low wind generation forecast for next week.
- The month-ahead (October) power contract fell 2.6% to £45.5/MWh. However, the contract is now 10.2% above its level this time last year (£41.3/MWh).
- The annual October 17 power contract dropped 1.4% to £45.9/MWh.

Annual October contract



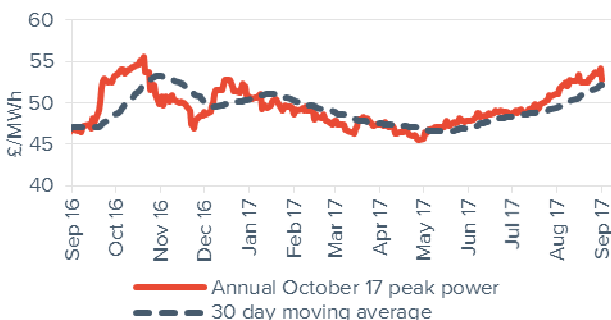
Forward curve comparison



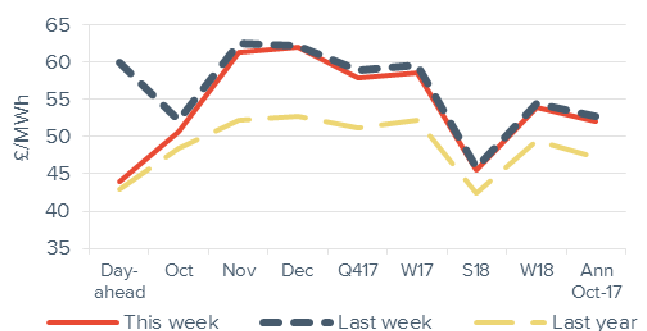
Peak electricity

- All near-term peak power contracts declined this week.
- Day-ahead peak power lowered 26.7% to £44.0/MWh. The contract was just £0.5/MWh higher than its baseload counterpart.
- The month-ahead (October) contract lost 3.0% to £50.7/MWh. The contract was £5.2/MWh above its baseload counterpart.
- Annual October 17 peak power slipped 1.3% to £52.1/MWh. The contract was £6.2/MWh above its baseload counterpart.

Annual October contract



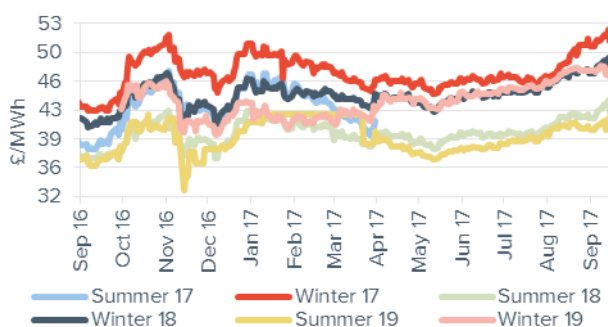
Forward curve comparison



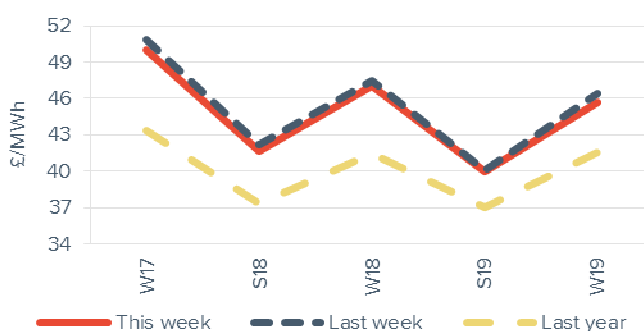


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal baseload power contracts decreased this week.
- Winter 17 power lowered 1.6% to £50.0/MWh.
- Summer 18 power lost 1.2% to £41.7/MWh.
- All seasonal peak power contracts decreased.
- Winter 17 peak power lost 1.6% to £58.6/MWh, and summer 18 peak power dropped 0.8% to £45.5/MWh.
- On average, seasonal peak contracts lowered by 1.0%.

Supplier hedging strategies

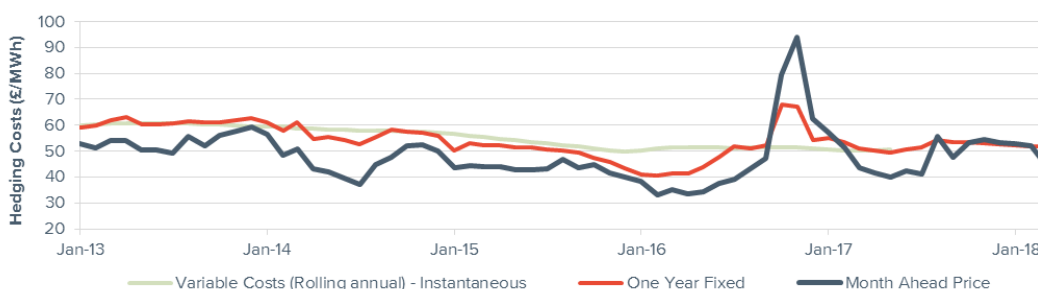
A number of gas and power contracts hit multi-month highs in August along with Brent crude oil, API 2 coal and EU ETS carbon prices.

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.

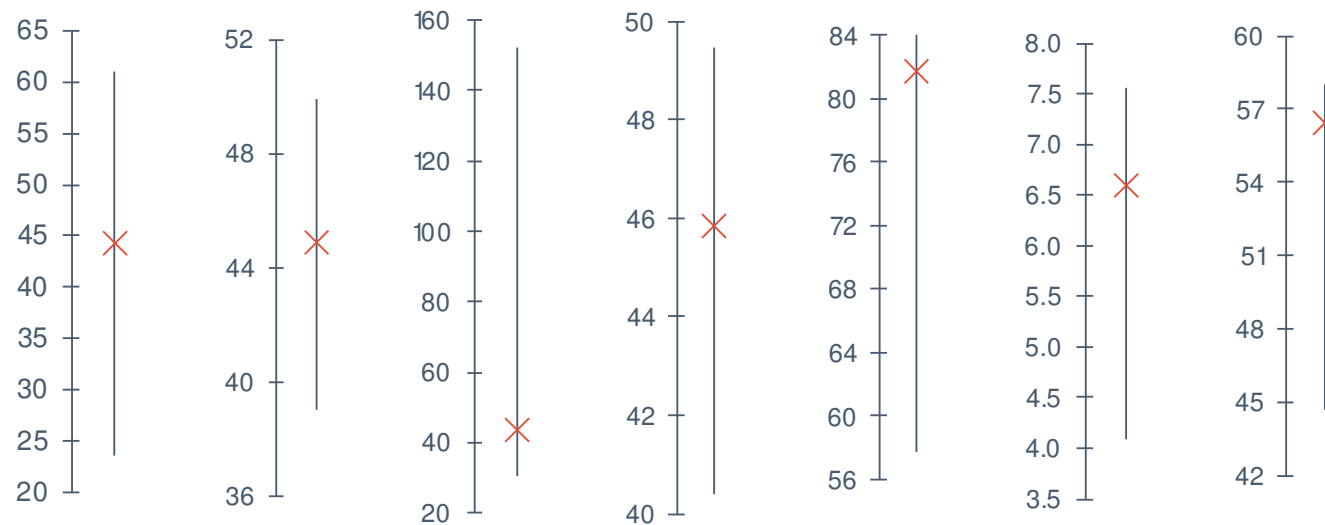




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	22 Sep 17	44.40	44.89	43.50	45.85	81.70	6.60	56.44
Last Week	15 Sep 17	46.50	45.63	55.00	46.52	82.70	6.81	55.55
Four weeks ago	25 Aug 17	44.40	44.99	43.50	46.00	78.80	5.98	52.45
Last year	23 Sep 16	34.00	41.35	40.25	40.38	60.00	4.44	47.22
Year-on-year %change		30.6%	8.6%	8.1%	13.6%	36.2%	48.6%	19.5%
Year high		61.00	49.91	152.00	49.45	84.00	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 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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