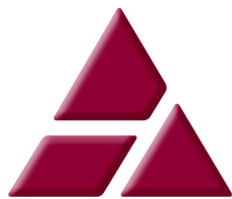




Energy Wholesale Market Review

Week Ending 29th September 2017



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Headlines 29/09/2017

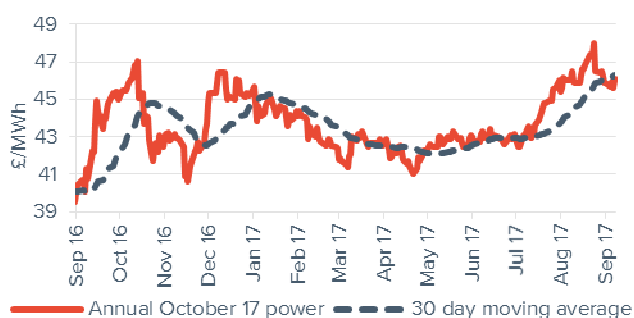
Brent crude oil continued to reach fresh highs this week, while all gas contracts experienced gains along with the majority of power contracts. In contrast to other baseload power contracts, the day-ahead contract lowered 7.5% to £40.3/MWh. Losses stemmed from forecasts of high wind generation for early next week and with the news that over the weekend the IFA interconnector will be brought back to full capacity. Winter 17 baseload power experienced a 0.1% increase, rising to £50.1/MWh, whilst the summer 18 power contract rose 0.8% to £42.1/MWh. The day-ahead gas contract rose 0.5% to 44.6p/th, with the system undersupplied amid reduced Norwegian imports due to outages towards the end of the week. This was coupled with an increase in demand. Winter 17 gas climbed 2.0% to 49.8p/th, and the summer 18 contract rose 1.1% to 41.4p/th. On average, seasonal contracts increased 1.0%.

Brent crude oil prices gained 3.5% to average \$57.9/bl. On Thursday, prices reached a near two-year high of \$58.5/bl. Prices were supported by Turkish threats to cut oil imports from Iraq's Kurdistan region following the Kurdistan independence referendum on Monday. EU ETS carbon prices rose 2.0% this week to average €7.0/t. The outcome of the German election on Sunday strengthened prices with the German Green Party likely to be a part of coalition negotiations

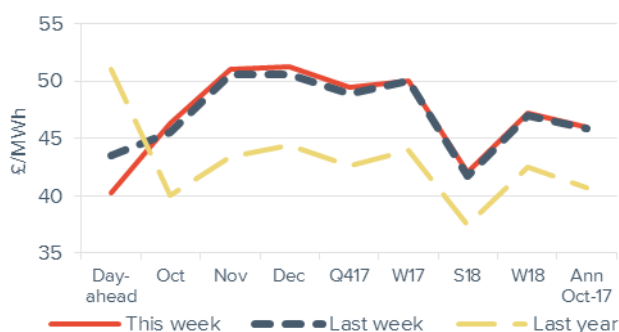
Baseload electricity

- Most near-term baseload power contracts experienced gains this week.
- An exception being the day-ahead contract that fell 7.5% to £40.3/MWh. This stemmed from high wind generation forecast for next week and with the IFA interconnector back to full capacity over the weekend.
- The month-ahead (October) power contract grew 1.8% to £46.3/MWh. Additionally, the contract is now 15.7% above its level this time last year (£40.0/MWh).
- The annual October 17 power contract went up just 0.4% to £46.1/MWh.

Annual October contract



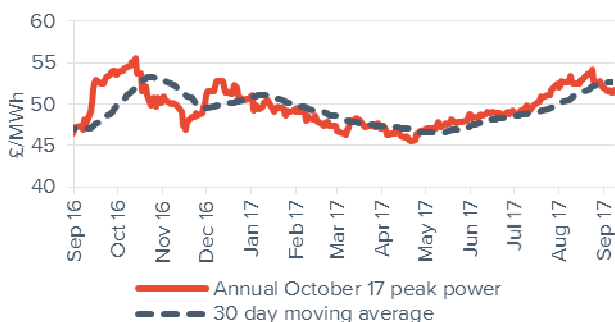
Forward curve comparison



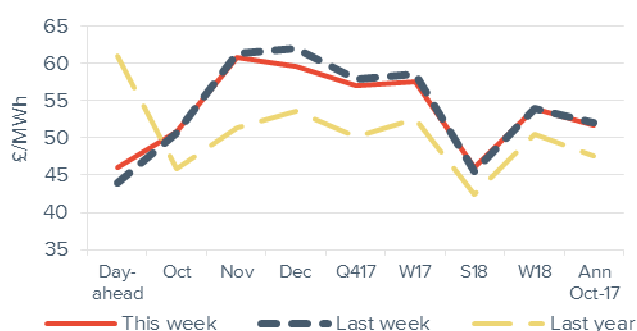
Peak electricity

- Near-term peak power contracts experienced mix movements this week.
- Day-ahead peak power grew 4.5% to £46.0/MWh. The contract was £5.7/MWh higher than its baseload counterpart.
- The month-ahead (October) contract lifted 0.5% to £50.9/MWh. The contract was £4.6/MWh above its baseload counterpart.
- Annual October 17 peak power slipped 0.6% to £51.7/MWh. The contract was £5.6/MWh above its baseload counterpart.

Annual October contract



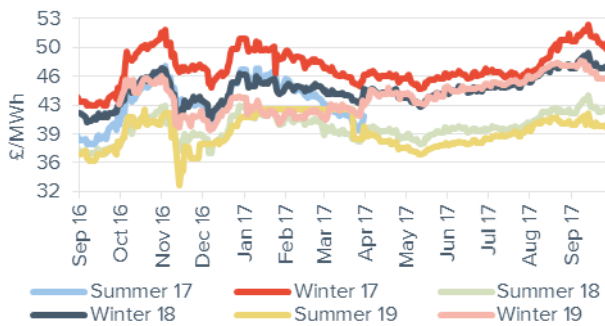
Forward curve comparison



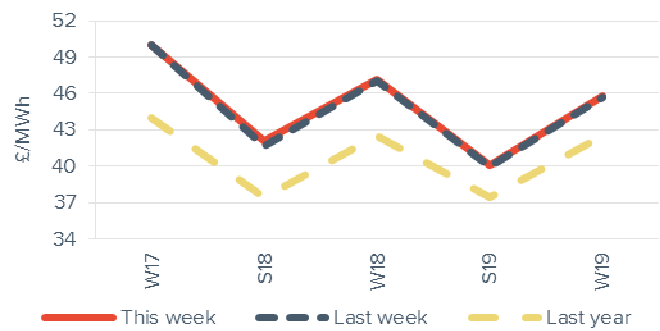


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal baseload power contracts increased this week.
- Winter 17 power moved 0.1% upwards to £50.1/MWh.
- Summer 18 power rose 0.8% to £42.1/MWh.
- Most seasonal peak power contracts grew.
- Summer 18 peak power went up 1.0% to £46.0/MWh. In contrast, winter peak power dropped 1.9% to £57.5/MWh.
- On average, seasonal peak contracts experienced little change.

Supplier hedging strategies

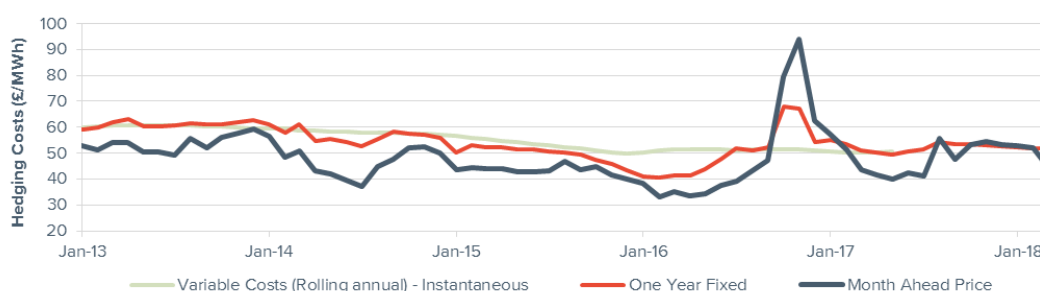
A number of gas and power contracts hit multi-month highs in August along with Brent crude oil, API 2 coal and EU ETS carbon prices.

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.

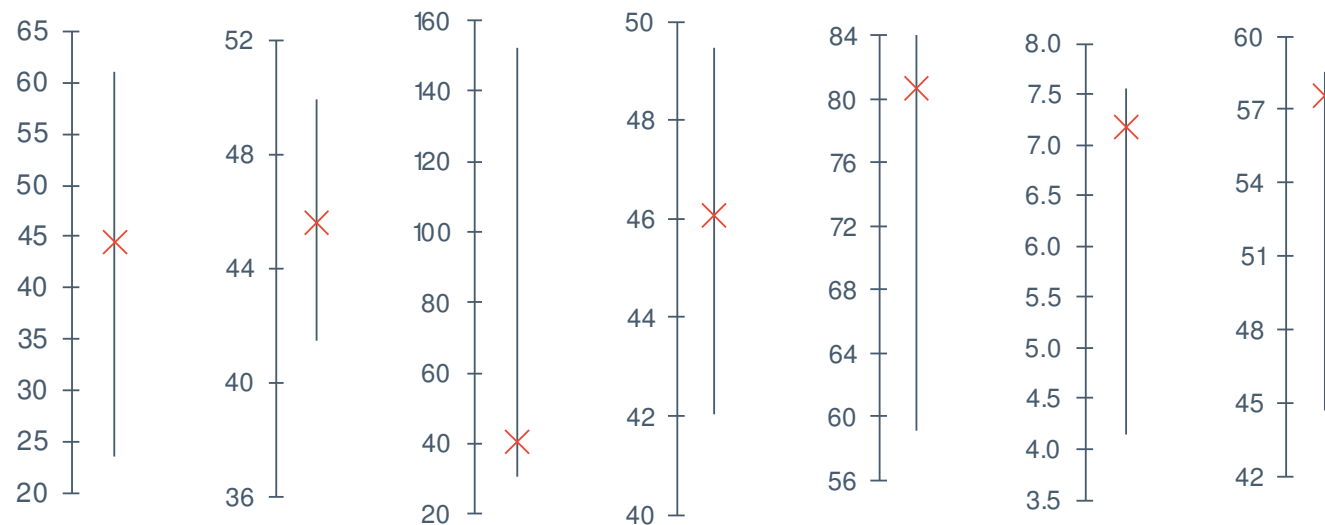




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	29 Sep 17	44.60	45.60	40.25	46.05	80.70	7.18	57.55
Last week	22 Sep 17	44.40	44.89	43.50	45.85	81.70	6.60	56.44
Four weeks ago	1 Sep 17	45.50	44.95	47.50	45.88	78.25	5.89	52.32
Last year	30 Sep 16	35.50	41.91	51.00	40.75	64.75	4.95	48.36
Year-on-year %change		25.6%	8.8%	-21.1%	13.0%	24.6%	45.1%	19.0%
Year high		61.00	49.91	152.00	49.45	84.00	7.55	58.53
Year low		23.50	41.46	30.75	42.05	59.15	4.15	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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