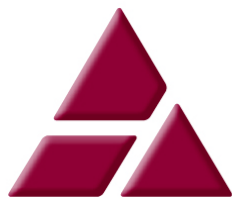




# Energy Wholesale Market Review

Week Ending 20<sup>th</sup> October 2017



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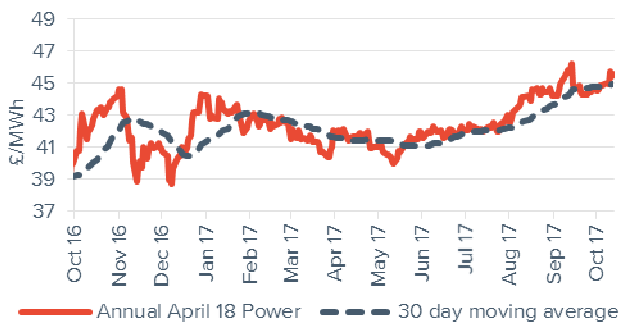
## Headlines 20/10/2017

The majority of commodity, power and gas contracts experienced losses this week. Exceptions were seen in the day-ahead power and gas contracts, which all increased. Day-ahead baseload power gained 5.4% to £48.5/MWh, as lower wind generation and higher commodity prices aided in strengthening prices. Baseload power contracts for this winter showed significant declines, with the November contract dropping 4.7% to £51.2/MWh. Seasonal contracts also fell, with summer 18 power losing 0.8% to £42.7/MWh and winter 18 power slipping 0.5% to £47.9/MWh. Declines were largely due to a reduction in gas prices, but also due to reduced concerns surrounding French nuclear plant availability for this winter. Peak power contracts for this winter also showed significant losses, with the November contract down 10.1% to £58.2/MWh. Most near-term gas contracts decreased last week, with the November contract trimming 0.4% to 49.3p/th. In contrast, the day-ahead gas contract grew 3.1% to 45.2p/th, with higher exports to Europe and declines in supplies. Seasonal gas contracts also fell, with summer 18 gas down 0.6% to 42.5p/th and winter 18 gas falling 0.3% to 49.8p/th. Brent crude oil rose 2.4% to average \$57.7/bl. EU ETS carbon reached a new 21-month high of €7.7/t. API 2 coal prices increased 5.3% to average \$80.7/t. On 17 October, API 2 coal reached a fresh three-year high of \$85.5/t.

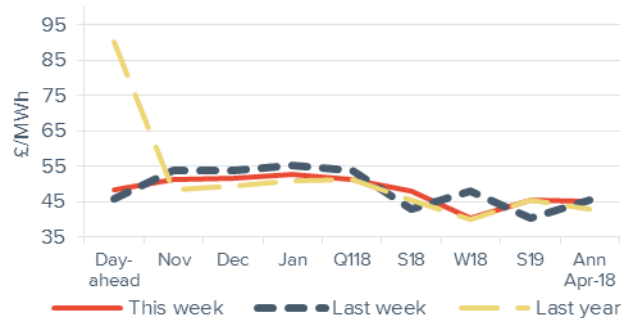
### Baseload electricity

- Most near-term baseload power contracts declined this week.
- The day-ahead contract was an expectation, gaining 5.4% to £48.5/MWh. Lower wind generation and higher commodity prices across the week aided in strengthening prices.
- The month-ahead (November) contract dropped 4.7% to £51.2/MWh
- The annual April 18 power contract lowered 0.7% to £45.3/MWh from £45.6/MWh the previous week.

#### Annual October contract



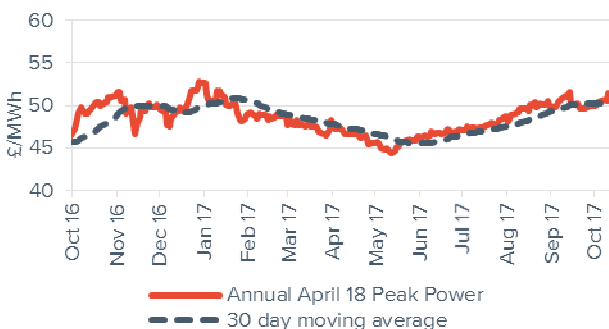
#### Forward curve comparison



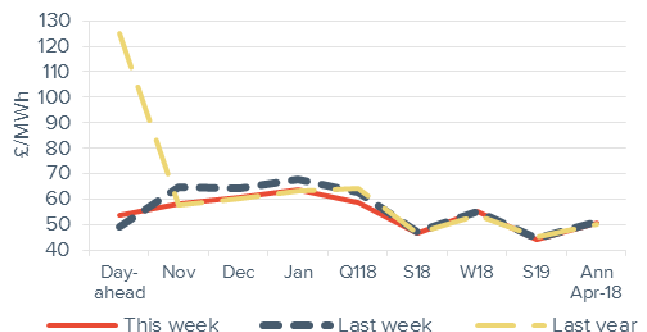
### Peak electricity

- The majority of near-term peak power contracts increased this week.
- An exception being day-ahead peak power, which fell 7.1% to £49.3/MWh. The contract ended the week £3.3/MWh higher than its baseload counterpart.
- The month-ahead (November) contract lost 1.7% to £64.7/MWh. The contract was £11.0/MWh higher than its baseload counterpart.
- Annual April 18 peak power grew 0.9% to £51.1/MWh. The contract was £5.5/MWh above its baseload power counterpart

#### Annual October contract



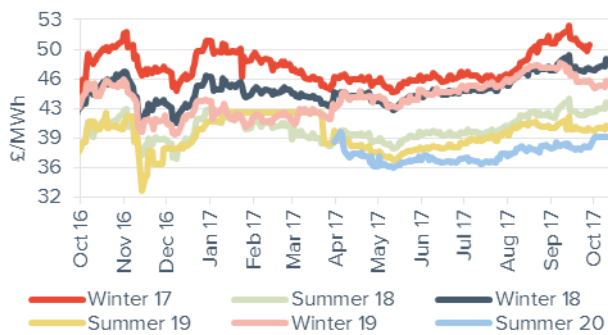
#### Forward curve comparison



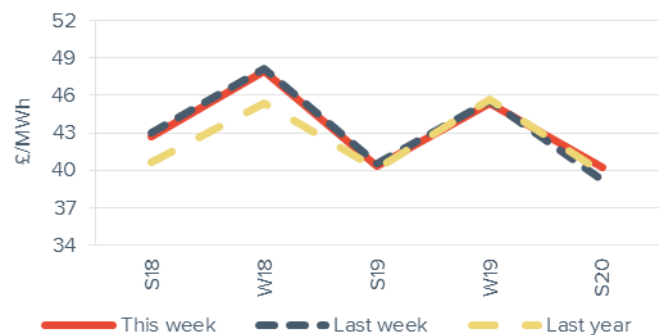


## Seasonal power prices

### Seasonal baseload power contracts



### Seasonal baseload power curve



- All seasonal power contracts weakened this week.
- Summer 18 power experienced a loss of 0.8%, whilst the winter 18 power contract dropped 0.5% to £47.9/MWh
- All seasonal peak power contracts lowered this week.
- Summer 18 peak power went down 0.5% to £46.6/MWh. While, winter 18 peak power declined 0.7% to £54.9/MWh.
- On average, seasonal peak contracts dropped 0.7%

## Supplier hedging strategies

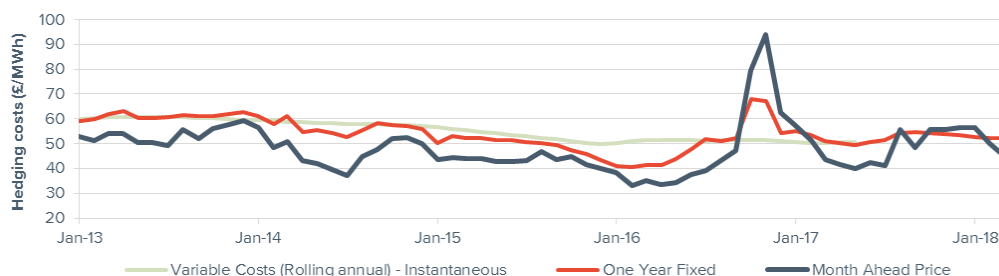
A number of gas and power contracts hit multi-month highs in September, whilst Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

The annual October 17 gas contract rose 3.8% in September to average 45.8p/th. The annual October 17 baseload power contract gained 3.3% to average £46.4/MWh. Brent crude oil prices climbed 6.6% to average \$55.3/bl. On average, API 2 coal prices jumped 6.3% to \$81.5/t, and EU ETS carbon prices increased 19.7% to €7.6/t.

During September, the price changes seen to fixed domestic dual-fuel tariffs were predominantly increases. 36 of the price changes were increases, whereas 10 were decreases. The largest price increase was Avro Energy's "Simple and Supreme" tariff, which grew by 9.6% to £938.3/year. In contrast, the largest price decrease was Avro Energy's "Simple and Connected" tariff, which fell by 10.2% to £842.9/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.

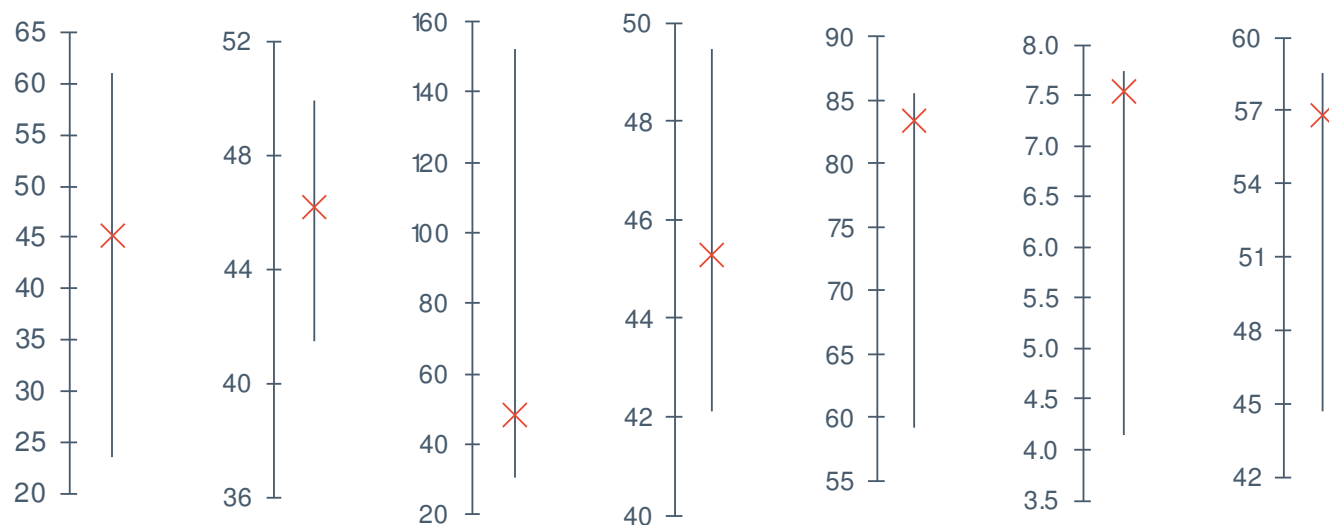




## Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	20 Oct 17	45.20	46.14	48.50	45.28	83.30	7.54	56.79
Last week	13 Oct 17	43.85	46.34	46.00	45.58	83.40	7.30	57.40
Four weeks ago	22 Sep 17	44.40	44.63	43.50	44.35	81.70	6.60	56.44
Last year	21 Oct 16	45.30	45.79	90.00	43.00	67.00	5.65	51.55
Year-on-year % change		-0.2%	0.8%	-46.1%	5.3%	24.3%	33.5%	10.2%
Year high		61.00	49.91	152.00	49.45	85.50	7.74	58.53
Year low		23.50	41.47	30.75	42.13	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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