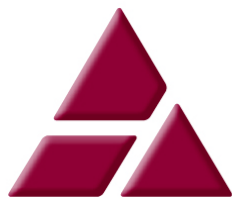




# Energy Wholesale Market Review

Week Ending 27<sup>th</sup> October 2017



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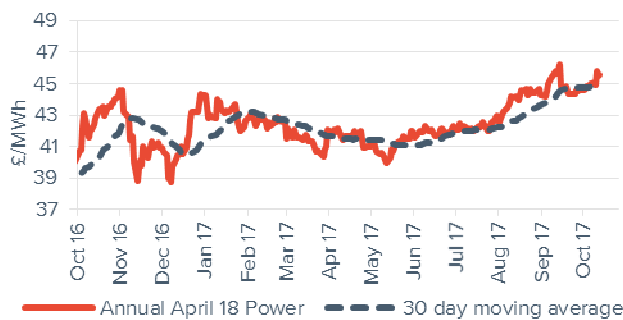
## Headlines 27/10/2017

This week experienced bullish price movements for baseload power and Brent crude oil. Alternatively, remaining commodities and some gas contracts saw losses. The majority of baseload power contracts experienced gains this week. The day-ahead contract went up 0.9% to £49.0/MWh, as higher levels of demand with colder weather strengthened prices. Most seasonal baseload power contracts lifted this week. Summer 18 power gained 0.8% to £43.0/MWh, whilst winter 18 power boosted 0.7% to £48.3/MWh. Most near-term gas contracts decreased this week. An exception was the day-ahead gas contract, which grew 2.0% to 46.1p/th, as colder temperatures boosted demand for heating. The majority of seasonal gas contracts experienced gains. The winter 18 gas contract grew 0.6% to 50.1p/th, and the winter 19 contract lifted 1.0% to 48.3p/th. Day-ahead peak power experienced an uptick of 0.1% to £53.5/MWh. The contract ended the week £4.5/MWh higher than its baseload counterpart. Brent crude oil prices experienced an uptick of 0.9% to average \$58.2/bl. On 27 October, Brent crude oil lifted \$0.69/bl to \$59.12/bl, its highest price since July 2015. API 2 coal prices lowered 0.8% to average \$84.0/t. EU ETS carbon prices followed coal prices downwards, falling 1.6% to average €7.4/t, and ending the week at €7.2/t. Prices were 5.9% above the value this time this month (€7.0/t), and 27.7% higher than the level a year ago (€5.8/t).

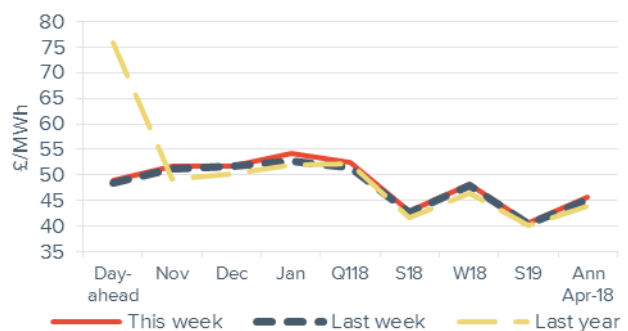
### Baseload electricity

- The majority of baseload power contracts experienced gains this week.
- The day-ahead contract went up 0.9% to £49.0/MWh. This was despite high levels of wind generation throughout the week. Higher levels of demand with colder weather strengthened prices.
- The month-ahead (November) contract grew 1.0% to £51.7/MWh.
- The annual April 18 power contract climbed 0.8% to £45.6/MWh, up from £45.3/MWh the previous week.

#### Annual October contract



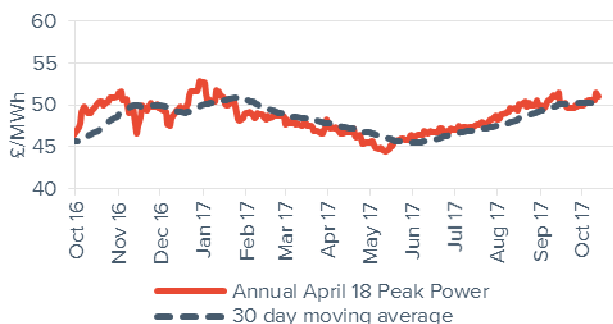
#### Forward curve comparison



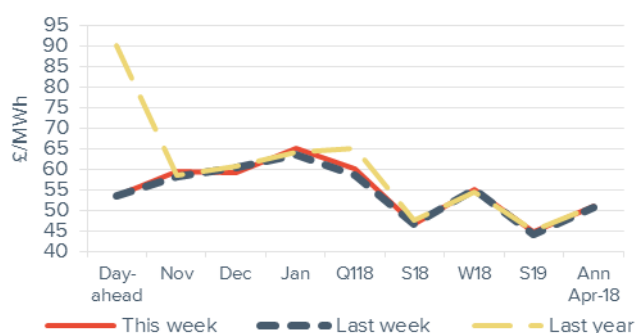
### Peak electricity

- Most of the near-term peak power contracts increased this week.
- Day-ahead peak power experienced an uptick of 0.1% to £53.5/MWh. The contract ended the week £4.5/MWh higher than its baseload counterpart.
- The month-ahead (November) contract reversed this week's losses and rose 2.3% to £59.0/MWh. The contract was £7.4/MWh higher than its baseload counterpart
- Annual April 18 peak power grew 0.4% to £50.9/MWh.

#### Annual October contract



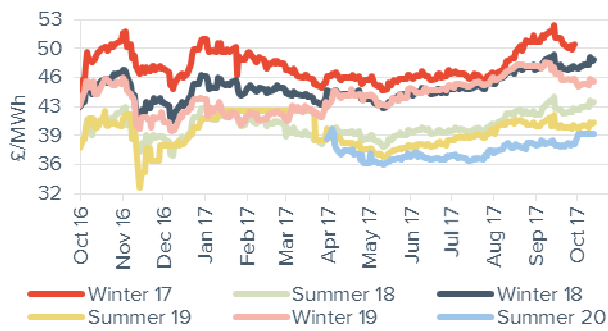
#### Forward curve comparison



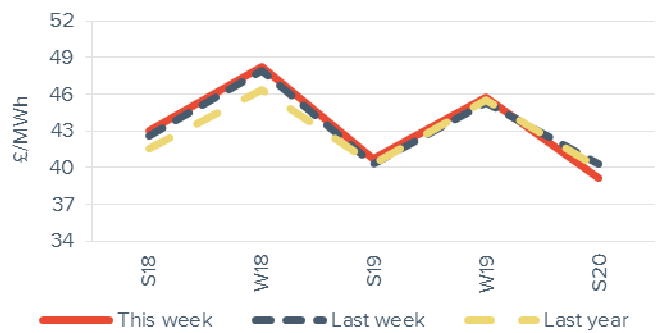


## Seasonal power prices

### Seasonal baseload power contracts



### Seasonal baseload power curve



- All seasonal power contracts weakened this week.
- Summer 18 power gained 0.8% to £43.0/MWh, whilst winter 18 power boosted 0.7% to £48.3/MWh. The summer 20 power contract was the only contract to decrease, falling 2.6% to £39.2/MWh.
- Most seasonal peak power contracts expanded upwards this week.
- Summer 18 peak power went up 0.3% to £46.7/MWh, while winter 18 peak power rose 0.5% to £55.2/MWh.
- On average, seasonal peak contracts lifted 0.5%.

## Supplier hedging strategies

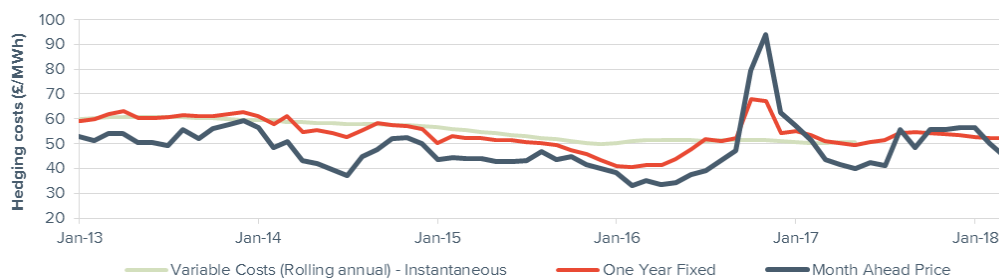
A number of gas and power contracts hit multi-month highs in September, whilst Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

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.

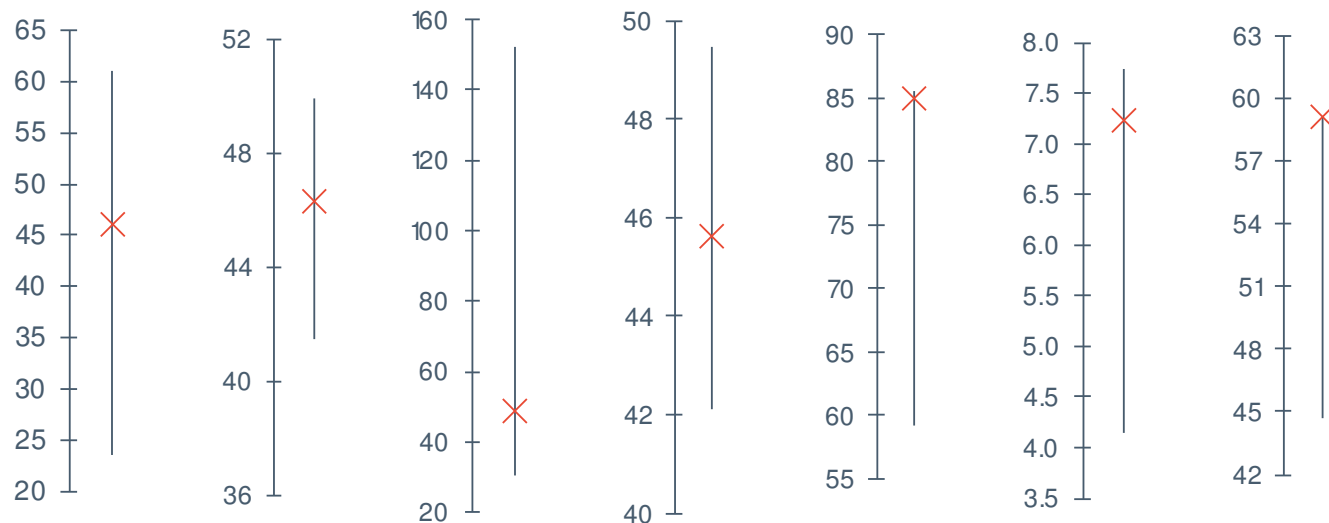




## Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	27 Oct 17	46.10	46.28	48.95	45.63	85.00	7.22	59.12
Last week	20 Oct 17	45.20	46.14	48.50	45.28	83.30	7.54	56.79
Four weeks ago	29 Sep 17	44.60	45.04	40.25	44.63	80.70	7.18	57.55
Last year	28 Oct 16	46.30	47.26	76.00	44.00	70.00	5.75	50.35
Year-on-year %change		-0.4%	-2.1%	-35.6%	3.7%	214%	25.6%	17.4%
Year high		61.00	49.91	152.00	49.45	85.50	7.74	59.12
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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