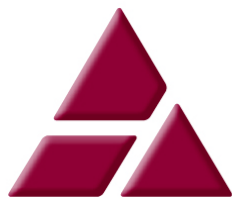




# Energy Wholesale Market Review

Week Ending 3<sup>rd</sup> November 2017



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## Contents

<b>Baseload electricity</b> .....	<b>3</b>
<b>Peak electricity</b> .....	<b>3</b>
<b>Seasonal power prices</b> .....	<b>4</b>
<b>Supplier hedging strategies</b> .....	<b>4</b>
<b>Wholesale price snapshot</b> .....	<b>5</b>
<b>About EDW Technology Limited</b> .....	<b>6</b>



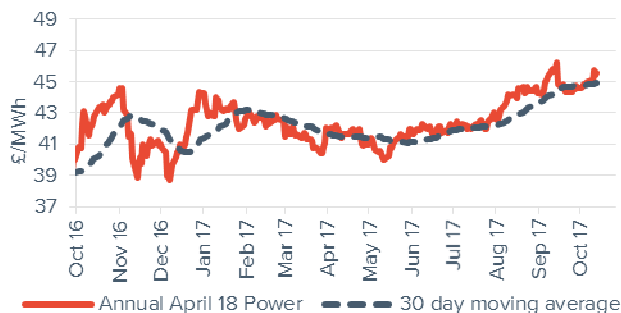
## Headlines 03/11/2017

This week generally experienced bullish price movements across power, gas and commodity contracts. Baseload power contracts predominantly experienced gains this week. The day-ahead contract climbed 1.1% to £49.5/MWh. This was amid declines in the level of wind generation throughout the week. Robust demand across the week also aided power prices. Most seasonal power contracts expanded this week. All near-term gas contracts increased this week. The day-ahead gas contract gained 6.3% to 49.0p/th, with colder temperatures boosting demand for heating. Whilst, increased exports to Europe boosted near-term prices. In contrast, the majority of seasonal gas contracts experienced losses this week. Day-ahead peak power subsided 1.9% to £52.5/MWh. Brent crude oil prices rose 4.4% to average \$60.8/bl. On 1 November prices reached a 30-month high of \$61.7/bl, after data showed OPEC's compliance rate with output cuts hit 92% in October. Prices continued to be strengthened by expectations that OPEC and non-OPEC production cuts might be extended. API 2 coal prices gained 3.0% to average \$86.5/t, up from \$84.0/t the week before, with robust Asian demand. On 1 November API 2 coal climbed to \$87.75/t, a four-year high. EU ETS carbon prices climbed 0.2% to average €7.4/t, with prices boosted by strong auction results towards the end of the week. Prices rose to €7.8/t on Friday afternoon, its highest price since January 2016.

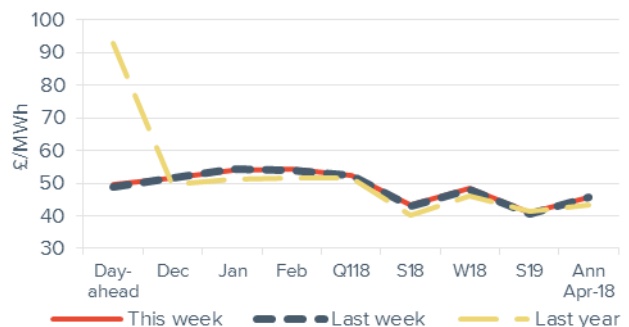
### Baseload electricity

- Baseload power contracts predominantly experienced gains this week.
- The day-ahead contract climbed 1.1% to £49.5/MWh. This was amid declines in the level of wind generation throughout the week. Robust demand across the week also aided power prices.
- The month-ahead (December) contract grew 0.1% to £51.7/MWh.
- The annual April 18 power contract rose 0.5% to £45.9/MWh, up from £45.6/MWh the previous week.

#### Annual April contract



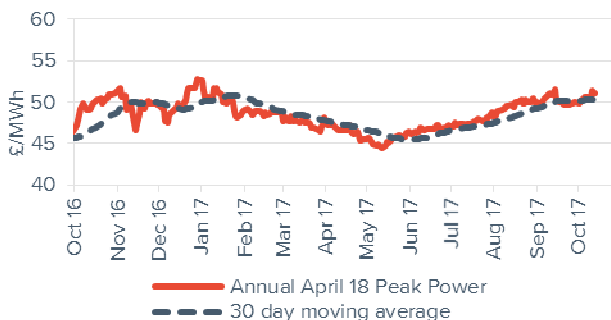
#### Forward curve comparison



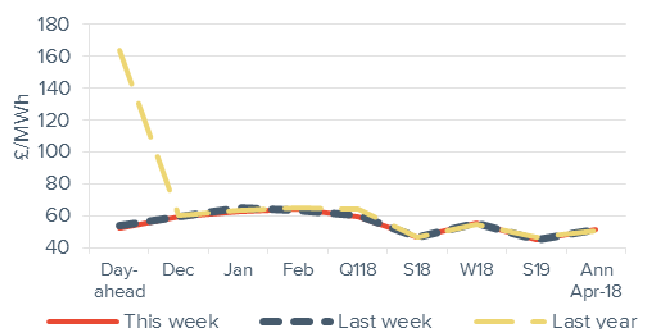
### Peak electricity

- Most of the near-term peak power contracts declined this week.
- Day-ahead peak power subsided 1.9% to £52.5/MWh. The contract ended the week £3.0/MWh higher than its baseload counterpart.
- The month-ahead (December) remained unchanged from the previous week at £59.0/MWh. The contract was £7.3/MWh higher than its baseload counterpart
- Annual April 18 peak power grew just 0.1% to £51.0/MWh.

#### Annual April contract



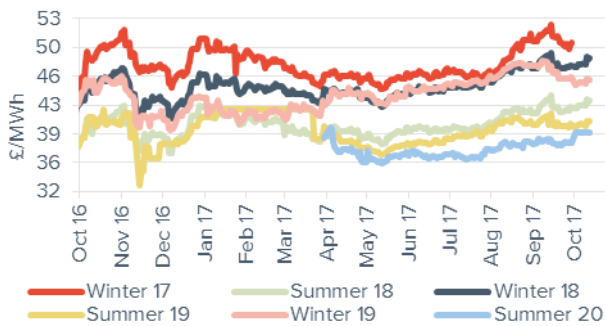
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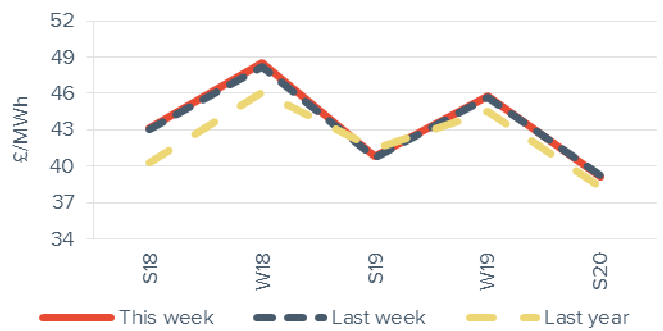


## Seasonal power prices

### Seasonal baseload power contracts



### Seasonal baseload power curve



- Most seasonal power contracts expanded this week.
- Summer 18 power gained 0.5% to £43.2/MWh, whilst winter 18 power increased 0.5% to £48.5/MWh. The summer 20 power contract continued from the previous week's losses, falling 0.1% to £39.2/MWh.
- Most seasonal peak power contracts rose this week.
- Summer 18 and winter 18 peak power contracts experienced an uptick of 0.1%, rising to £46.8/MWh and £55.2/MWh.

## Supplier hedging strategies

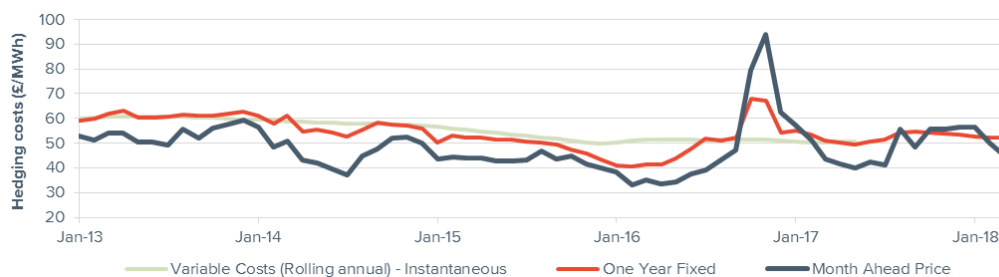
A number of gas and power contracts hit multi-month highs in September, whilst Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

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.

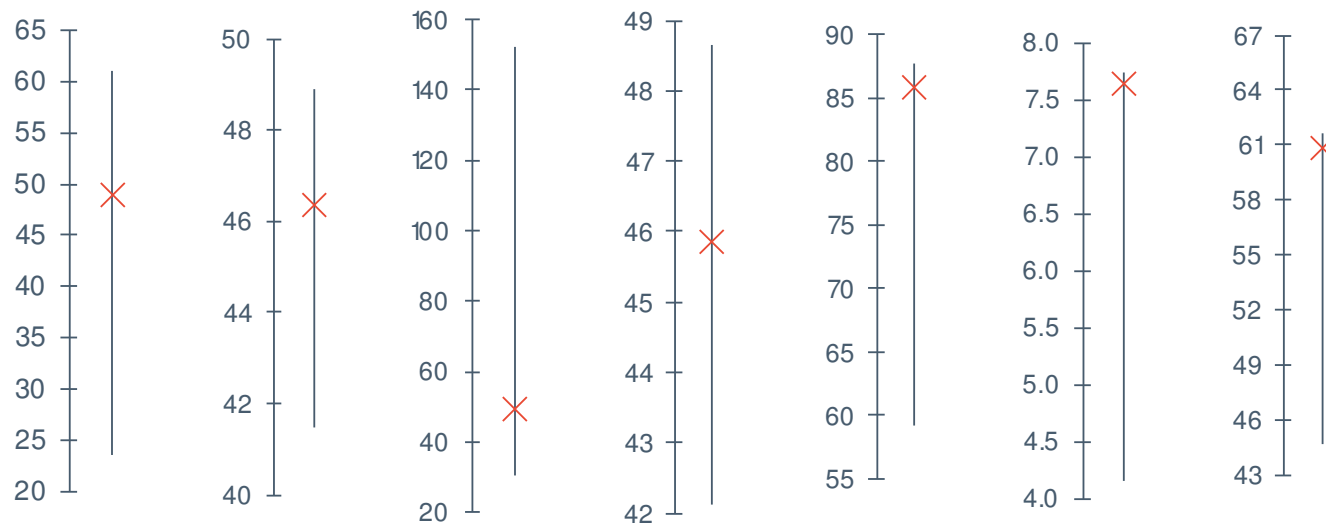




## Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	3 Nov 17	49.00	46.36	49.50	45.85	85.80	7.63	60.78
Last week	27 Oct 17	46.10	46.28	48.95	45.63	85.00	7.22	59.12
Four weeks ago	6 Oct 17	46.85	45.61	49.50	44.98	79.30	6.80	56.92
Last year	4 Nov 16	50.30	47.06	93.00	43.23	77.00	6.52	46.63
Year-on-year %change		-2.6%	-15%	-46.8%	6.1%	11.4%	17.0%	30.3%
Year high		61.00	48.91	152.00	48.65	87.75	7.74	61.66
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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