



Energy Wholesale Market Review

Week Ending 24th November 2018



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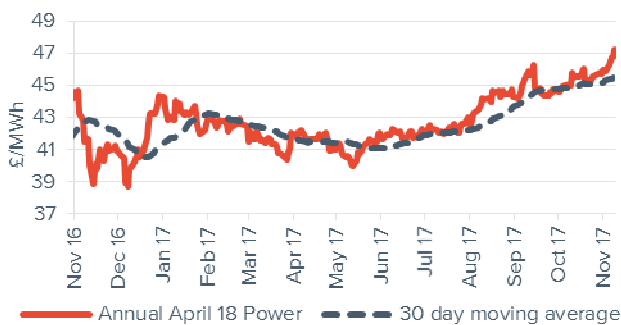
Headlines 24/11/2017

After bearish movements the previous week, bullish actions occurred across most power, gas and commodity contracts this week. The largest gains observed stemmed from near-term gas contracts, which all moved upwards. Day-ahead gas leapt 8.6% to 56.2p/th, as outages across three UK gas facilities and at the Oseberg gas field forced prices upwards. Month-ahead gas grew 7.6% to 56.4p/th, up from 52.4p/th the previous week. The day-ahead power contract lifted 4.0% to £53.4/MWh. Month-ahead power boosted 5.2% to £54.4/MWh. Near-term power prices were supported by the gains experienced in the gas market. Brent crude oil prices continued to experience minor changes, as it showed an uptick of 0.4% to average \$62.5/bl. Strengthening prices stemmed from expectations that extensions to OPEC and non-OPEC production cuts will be agreed upon at the OPEC meeting next week. However, doubts have lingered over Russian support for the cuts. Most near-term peak power contracts increased this week. Day-ahead peak power rose 6.9% to £58.0/MWh. EU ETS carbon prices expanded 0.2% to average €7.5/t, with post-2020 EU ETS reforms agreed upon this Wednesday. In contrast, API 2 coal prices subsided this week, falling 1.1% to average \$83.6/t. This was due to a continued decline in Chinese demand for coal, with air pollution measures restricting coal use across northern China.

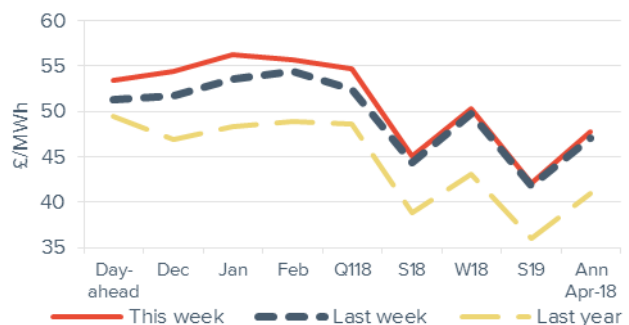
Baseload electricity

- After the previous week's losses, all baseload power contracts this week strengthened.
- The day-ahead contract lifted 4.0% to £53.4/MWh. This was despite rising wind generation across the week, which would have aided in capping gains.
- The month-ahead (December) contract boosted 5.2% to £54.4/MWh. The contract is now 16.0% above its level this year (£46.9/MWh).
- The annual April 18 power contract climbed 1.5% to £47.7/MWh.

Annual April contract



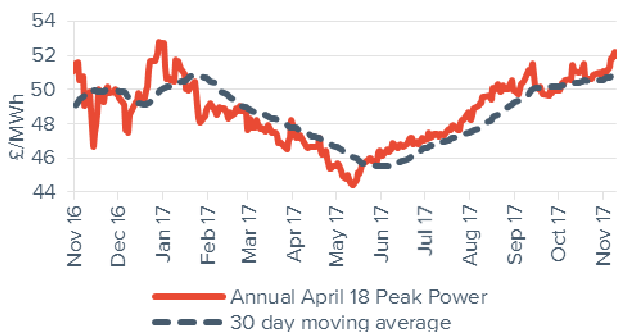
Forward curve comparison



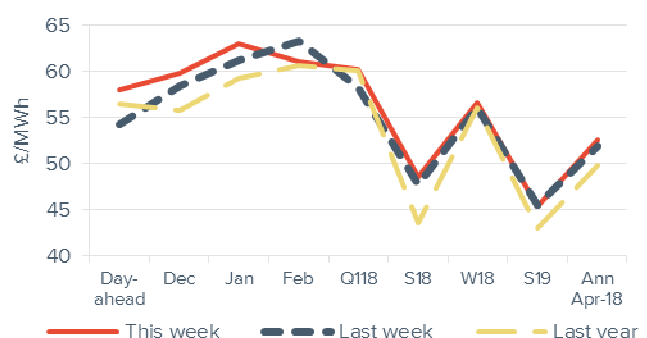
Peak electricity

- Most near-term peak power contracts increased this week.
- Day-ahead peak power rose 6.9% to £58.0/MWh. The contract ended the week £4.6/MWh higher than its baseload counterpart.
- The month-ahead (December) contract boosted 2.4% to £59.9/MWh. It was £5.5/MWh higher than its baseload counterpart.
- Annual April 18 peak power increased 1.3% to £52.6/MWh. The contract was £4.9/MWh above its baseload power counterpart.

Annual April contract



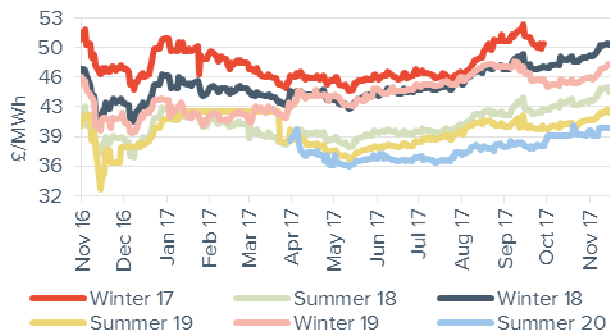
Forward curve comparison



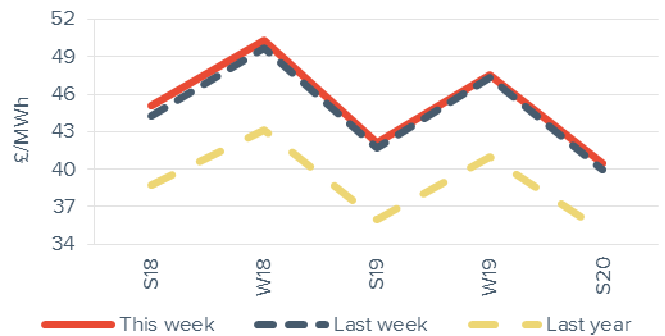


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal power contracts experienced gains this week.
- Summer 18 power lifted 1.8% to £45.1/MWh. Winter 18 power rose 1.3% to £50.4/MWh and the summer 19 power contract went up 0.8% to £42.1/MWh.
- Most near-term peak power contracts increased this week.
- The summer 18 contract gained 1.8% to £48.6/MWh. Winter 18 power expanded 1.0% to £56.7/MWh. Summer 20 peak power went up 1.1% to £45.0/MWh.

Supplier hedging strategies

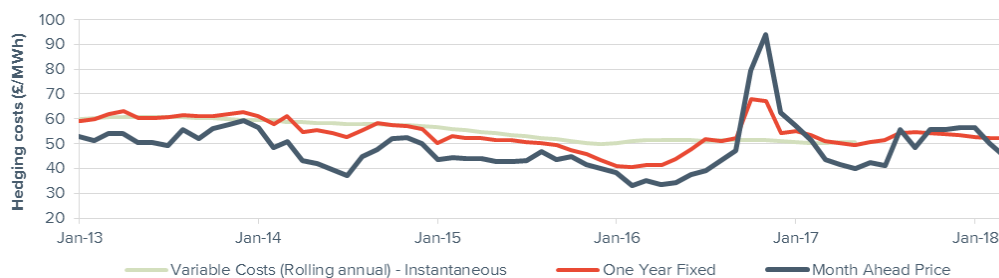
A number of gas and power contracts hit multi-month highs in September, whilst Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

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.

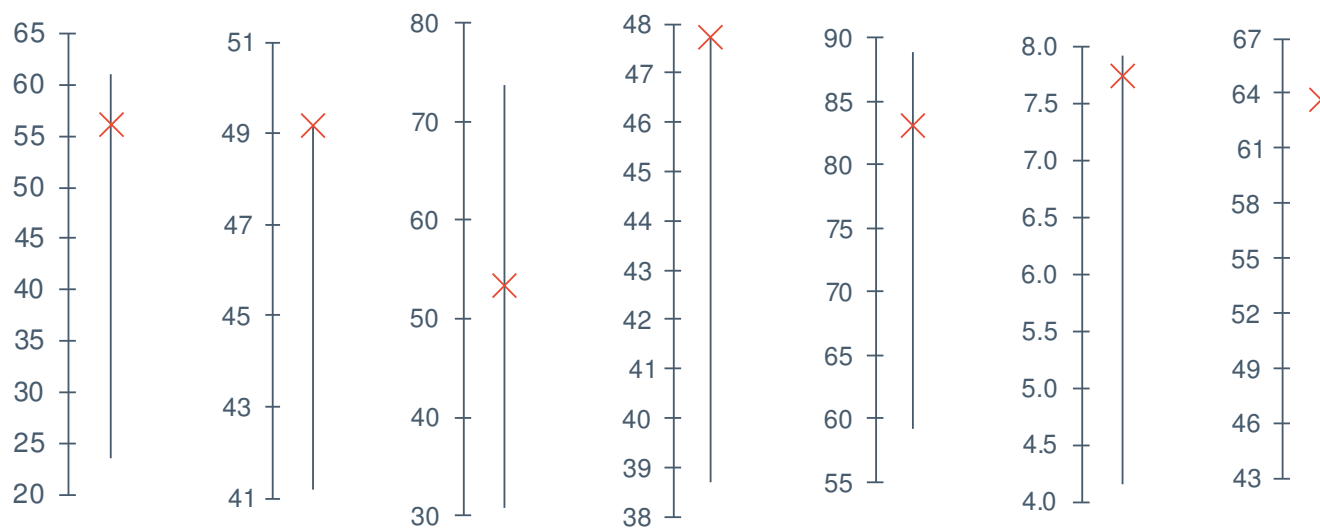




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	24 Nov 17	56.20	49.17	53.40	47.73	83.10	7.74	63.64
Last week	17 Nov 17	51.75	48.14	51.35	47.00	82.70	7.52	61.87
Four weeks ago	27 Oct 17	46.10	46.28	48.95	45.63	85.00	7.22	59.12
Last year	25 Nov 16	47.50	43.64	49.45	40.94	65.00	4.98	48.48
Year-on-year %change		18.3%	12.7%	8.0%	16.6%	27.8%	55.4%	31.3%
Year high		61.00	49.17	73.75	47.73	88.90	7.91	64.12
Year low		23.50	41.17	30.75	38.70	59.15	4.15	45.15

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 17 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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