



Energy Wholesale Market Review

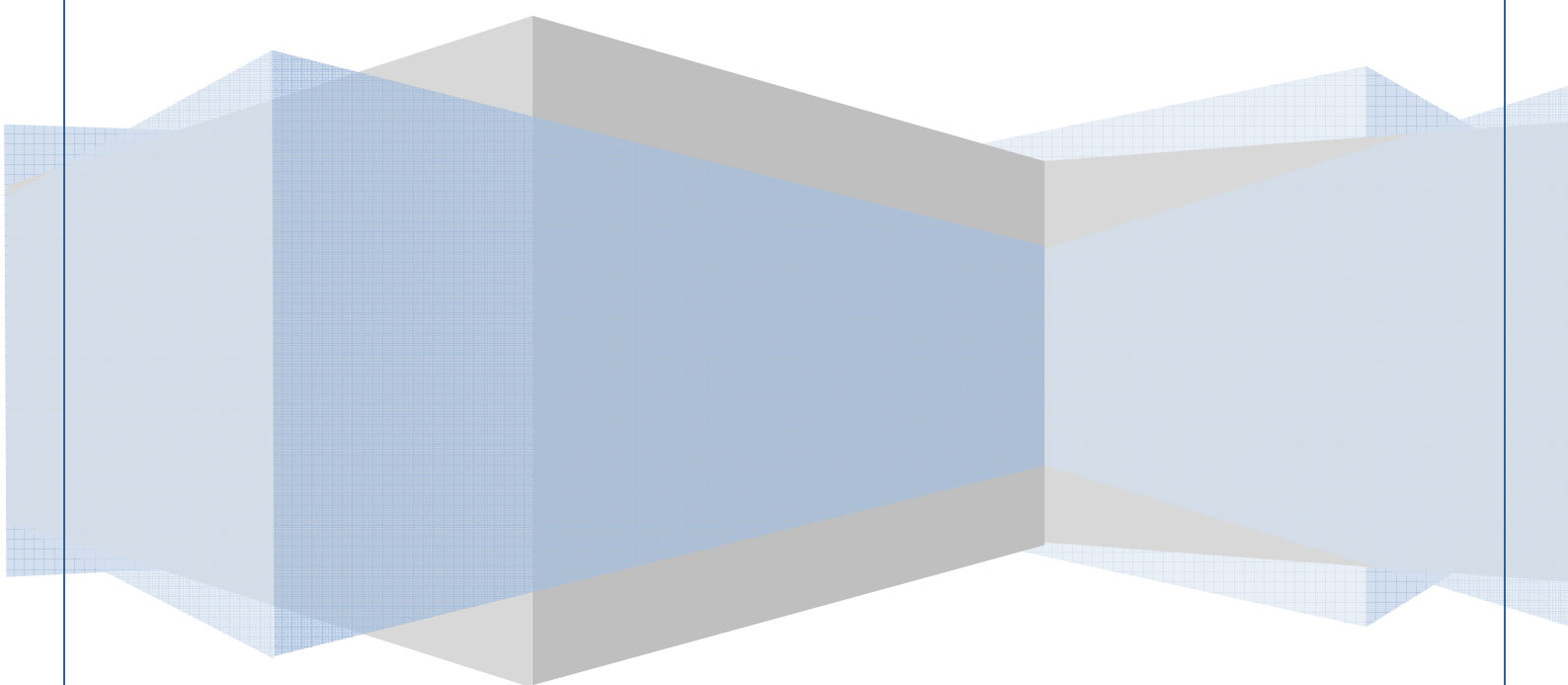
Week Ending 1st December 2018



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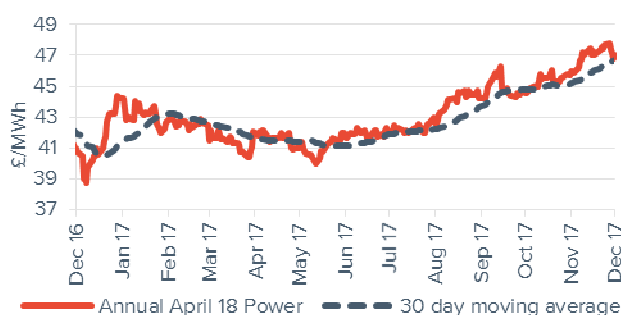
Headlines 01/12/2017

Gas and commodity prices experienced gains throughout this week. Meanwhile, bearish movements occurred across most baseload and peak power contracts. The largest gains observed this week stemmed from carbon prices, with EU ETS carbon prices strengthening 1.9% to average €7.7/t. Strong auction results and rising coal demand supported prices. As Europe enters the winter season, increased demand for coal across the continent aided in tightening API 2 coal prices. Upturning last week's losses, coal prices grew 1.2% to average \$84.6/t. Across the week, Brent crude oil prices increased 1.5% to average \$63.5/bl. The primary source of gains in oil prices stemmed from expectations and the agreement of extensions to current production cuts by OPEC and non-OPEC members on 30 November. Day-ahead gas grew 1.4% to 57.0p/th. Gains in prices were supported by colder temperatures and higher demand. Towards the end of the week the system became undersupplied forcing end of week prices upwards. Most baseload power contracts lowered this week. In contrast, day-ahead power experienced marginal growth, rising 0.4% to £53.6/MWh. Prices were strengthened by continued nuclear outages across the UK due to annual maintenance, and strong demand across the week. Most near-term peak power contracts weakened this week. Meanwhile, day-ahead peak power remained unchanged at £58.0/MWh.

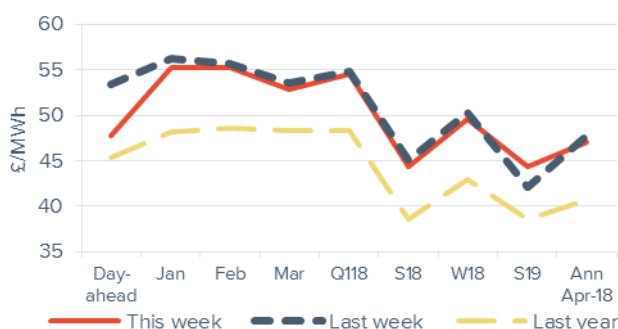
Baseload electricity

- After the previous week's gains, most baseload power contracts lowered this week.
- The day-ahead contract was an exception as it experienced marginal growth, rising 0.4% to £53.6/MWh.
- The month-ahead (January) contract lost 1.6% to £55.3/MWh. The contract is now 14.9% above its level this year (£48.1/MWh).
- The annual April 18 power contract dropped 1.5% to £47.0/MWh.

Annual April contract



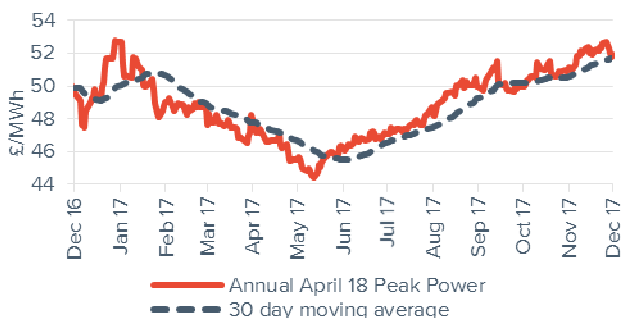
Forward curve comparison



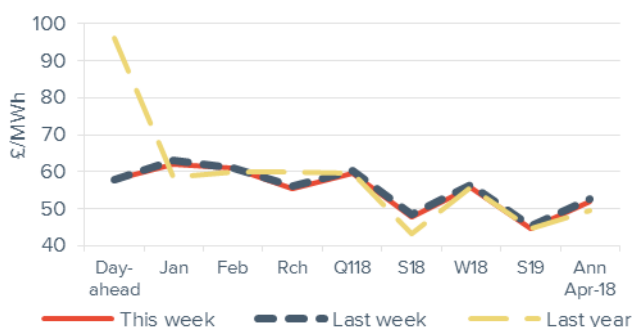
Peak electricity

- Most near-term peak power contracts weakened this week.
- Day-ahead peak power remained unchanged from the previous week, remaining static at £58.0/MWh. The contract ended the week £4.4/MWh higher than its baseload counterpart.
- The month-ahead (January) contract contracted 1.3% to £62.2/MWh. The contract remained £6.9/MWh higher than its baseload counterpart.
- Annual April 18 peak power decreased 1.4% to £51.9/MWh. The contract was £4.9/MWh above its baseload power counterpart.

Annual April contract

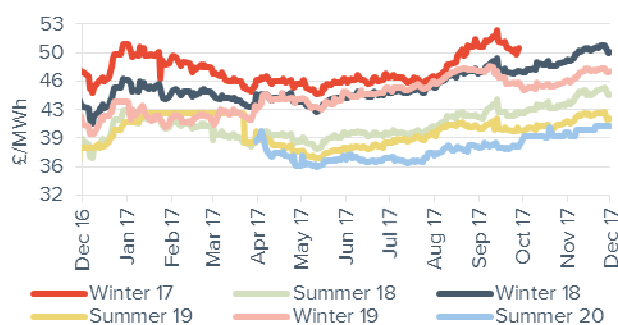


Forward curve comparison

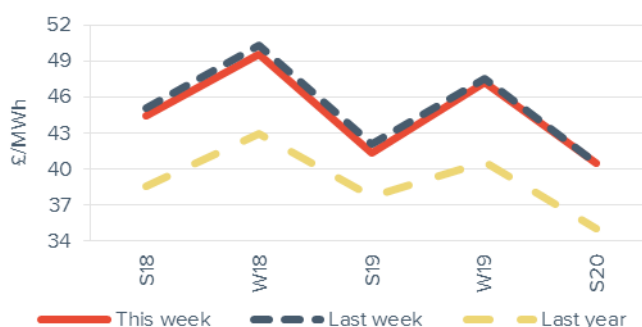




Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal power contracts reduced this week.
- Summer 18 baseload power fell 1.6% to £44.4/MWh. The winter 18 and summer 19 power contracts both declined 1.5% and 1.7% to £49.6/MWh and £41.4/MWh respectively
- Seasonal peak power contracts followed near-term contracts downwards this week.
- The summer 18 contract declined 1.4% to £47.9/MWh. Winter 18 power went down 1.3% to £55.9/MWh.

Supplier hedging strategies

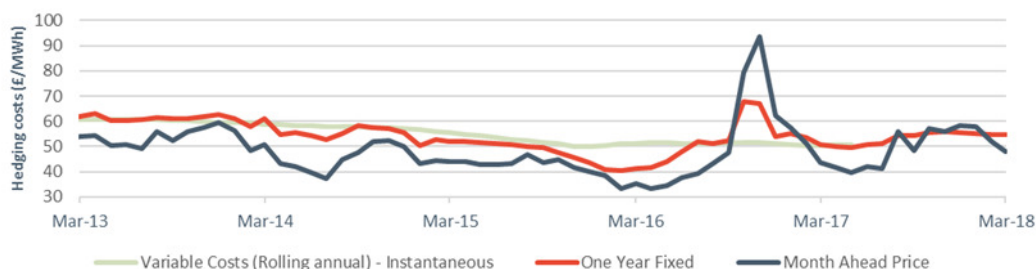
All power and gas contracts experienced gains across November, with near-term and seasonal contracts reaching multi-month highs. Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

The annual April 18 gas contract lifted 4.8% across November to average 48.2p/th. The annual April 18 power contract lifted 4.8% to £48.2/MWh. Brent crude oil prices rose 9.3% to average \$62.6/bl throughout the month. On average, API 2 coal prices lifted 3.0% to average \$85.0/t, and EU ETS carbon prices grew 4.5% to average €7.6/t

Due to being unable to source data of last month's tariff changes, we were unable to update this segment of the hedging strategy. As this month's data becomes available this section will be updated, with a view to completion towards the end of the month (December).

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.

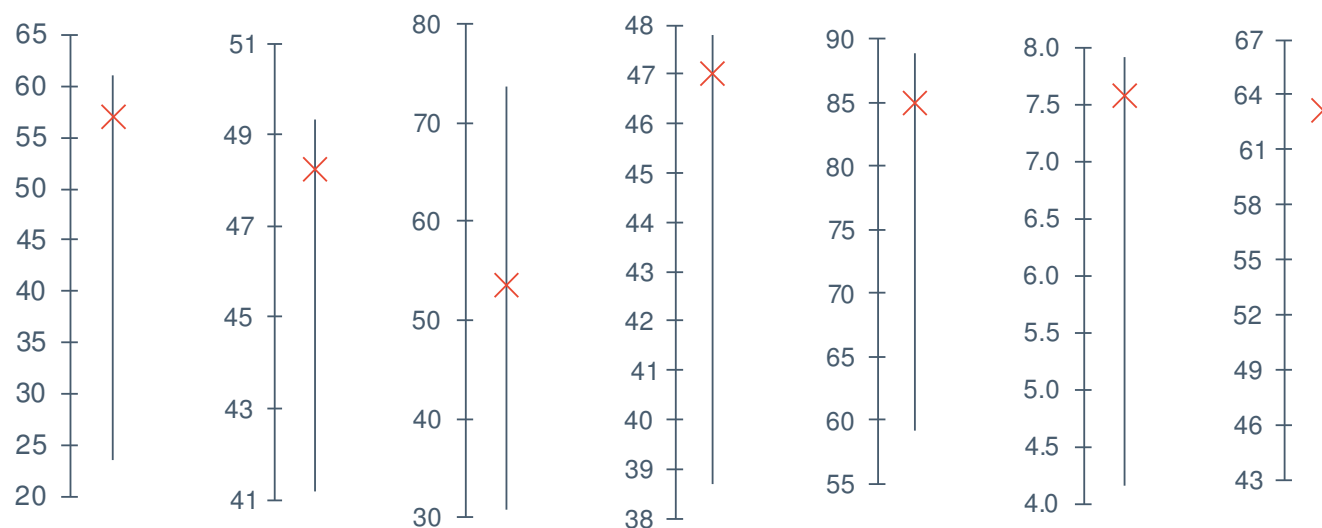




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	1 Dec 17	57.00	48.26	53.60	47.00	85.00	7.57	63.13
Last week	24 Nov 17	56.20	49.17	53.40	47.73	83.10	7.74	63.64
Four weeks ago	3 Nov 17	49.00	46.36	49.50	45.85	85.80	7.63	60.78
Last year	2 Dec 16	48.65	44.10	69.90	40.73	66.00	4.41	53.46
Year-on-year % change		17.2%	9.4%	-23.3%	15.4%	28.8%	71.7%	18.1%
Year high		61.00	49.33	73.75	47.80	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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