



# Energy Wholesale Market Review

Week Ending 15<sup>th</sup> December 2018



**EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.**

**Phone:** +44 (0)8448 802 489  
**Email:** [info@edwtech.com](mailto:info@edwtech.com)  
**Website:** [edwtech.com](http://edwtech.com)



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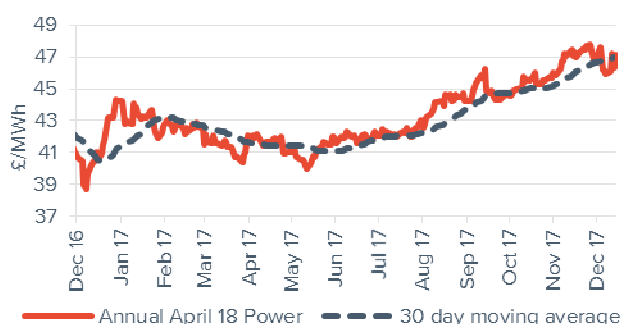
## Headlines 15/12/2017

Bullish results occurred across the majority of contracts this week. Day-ahead gas prices expanded 4.8% across the week to 60.5p/th, with prices primarily impacted by the explosion at the Baumgarten gas hub in Austria, coupled with the long-term unplanned outage at the Forties gas and oil pipeline located in the North Sea. Consequently, prices reached a four-year high. Similar influences supported API 2 coal movements, which saw prices reach a four-year high on 12 December. On average, prices grew 2.8% to \$88.4/t. Brent crude oil prices rose 2.1% to average \$63.7/bl. Falling US crude stocks, the Forties outage and tensions between Israel and Palestine all aided in higher oil prices. This Tuesday, prices reached a two-year high of \$65.5/bl. Baseload power contracts rose markedly this week, with day-ahead power climbing 1.8% to £57.0/MWh. Prices reached a six-month high of £63.4/MWh on 12 December, influenced by higher gas prices and reduced gas-to-power capacity. The month-ahead power contract experienced robust gains, rising 4.6% to £57.7/MWh. Peak power contracts experienced strong gains throughout this week. Day-ahead peak power went up 2.2% to £63.1/MWh. EU ETS carbon prices extended upon the previous week's losses, falling 3.8% to average €7.1/t, with prices largely depressed by weak auction activity.

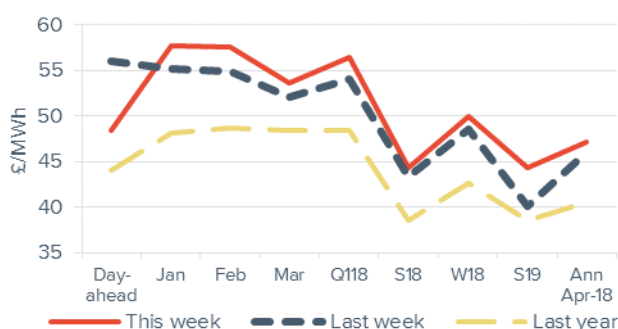
### Baseload electricity

- Near-term baseload power contracts rose markedly this week.
- Day-ahead power climbed 1.8% to £57.0/MWh. Seemingly following its gas counterpart upwards after outages across Europe (e.g. Forties, Baumgarten), which resulted in a tightening of gas-to-power capacity.
- The month-ahead (January) contract experienced robust gains, rising 4.6% to £57.7/MWh. The contract is now 19.8% above its level this year (£48.1/MWh).
- The annual April 18 power contract dropped 2.6% to £45.9/MWh.

Annual April contract



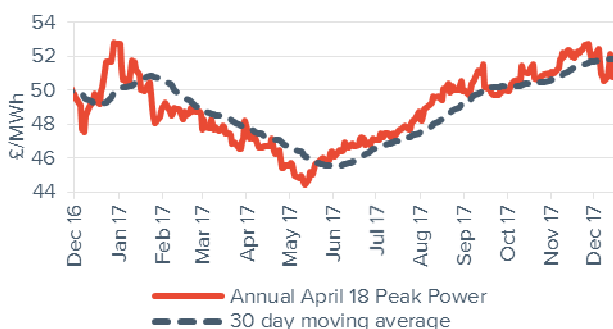
Forward curve comparison



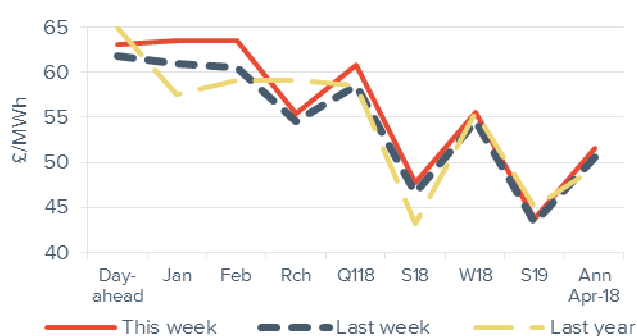
### Peak electricity

- Near-term peak power contracts experienced strong gains throughout this week.
- Day-ahead peak power went up 2.2% to £63.1/MWh. The contract ended the week £6.1/MWh higher than its baseload counterpart.
- The month-ahead (January) contract boosted 4.2% to £63.5/MWh. The contract finished the week £5.8/MWh higher than its baseload counterpart.
- Annual April 18 peak power lifted 2.0% to £51.6/MWh. The contract was £4.5/MWh above its baseload power counterpart.

Annual April contract

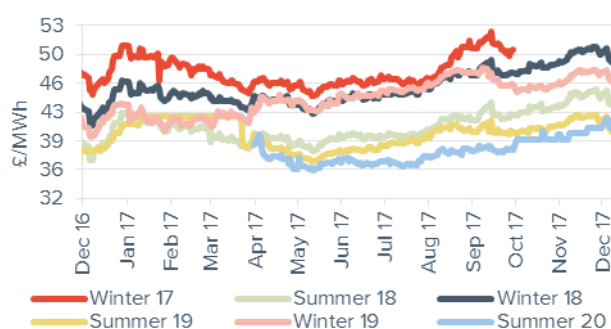


Forward curve comparison

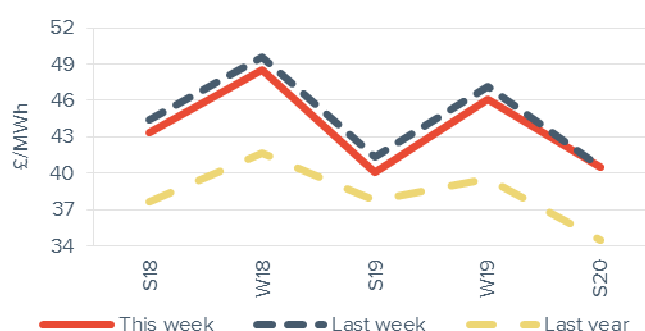




### Seasonal baseload power contracts



### Seasonal baseload power curve



- All seasonal power contracts increased this week.
- Summer 18 baseload power was 2.2% higher (£44.3/MWh). The winter 18 and winter 19 power contracts both grew 2.9% and 2.2% to £49.9/MWh and £47.1/MWh respectively.
- Seasonal peak power contracts reversed the previous week's losses.
- Gains occurred across all seasonal peak contracts, with the summer 18 and winter 18 contracts rising 2.3% and 1.8% to £47.7/MWh and £55.5/MWh, respectively.

## Supplier hedging strategies

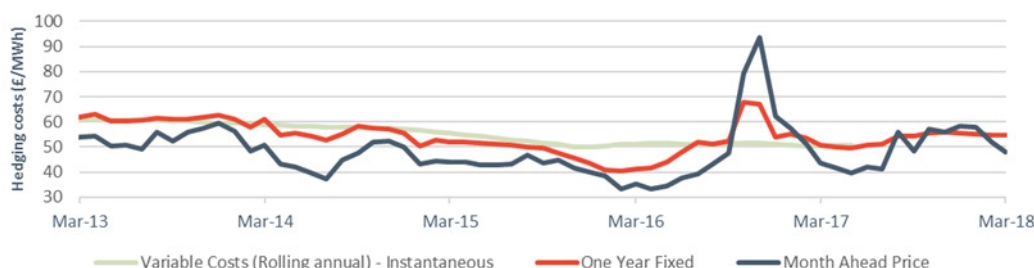
All power and gas contracts experienced gains across November, with near-term and seasonal contracts reaching multi-month highs. Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

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.

During November, the price changes seen to fixed domestic dual-fuel tariffs were predominantly gains. 53 of the price changes were increases, whereas 16 were decreases. The highest price increase was Zebra Power's "Zebra Born Free Variable V5" tariff which grew 10.3% to £916.60/year. In contrast, the largest price decrease was Together Energy's "Together Fixed November 18" tariff, which fell by 6.1% to £890.91/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.

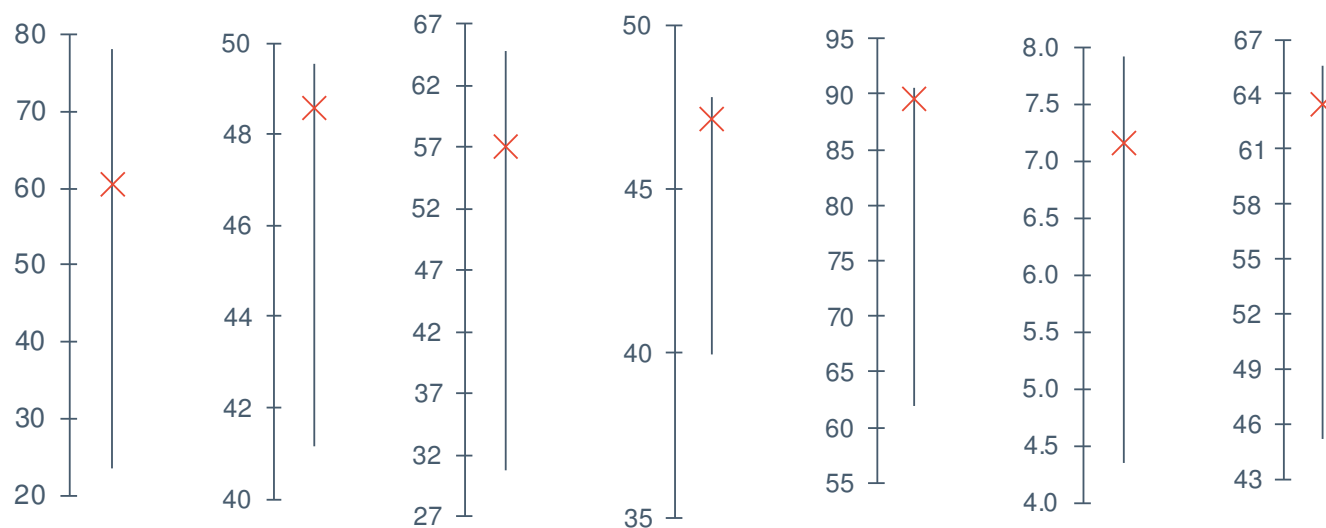




## Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	15 Dec 17	60.50	48.56	57.00	47.10	89.50	7.15	63.47
Last week	8 Dec 17	57.75	46.84	56.00	45.93	86.00	7.27	62.49
Four weeks ago	17 Nov 17	51.75	48.14	51.35	47.00	82.70	7.52	61.87
Last year	16 Dec 16	45.00	43.78	52.50	40.55	67.25	4.62	53.77
Year-on-year % change		34.4%	10.9%	8.6%	16.2%	33.1%	54.8%	18.0%
Year high		78.00	49.55	64.75	47.80	90.50	7.91	65.51
Year low		23.50	41.17	30.75	39.98	61.90	4.34	45.15

This table shows the prices this week compared with prices from the last 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.

### EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: [www.edwtech.com](http://www.edwtech.com)

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