



Energy Wholesale Market Review

Week Ending 5th January 2018



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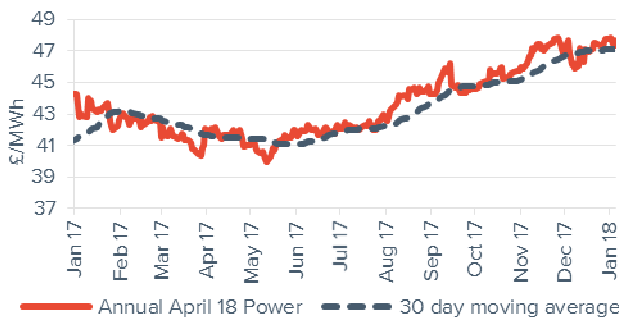
Headlines 05/01/2018

Despite gains in day-ahead prices, most power and gas contracts observed bearish movements this week. In contrast, commodities experienced varying degrees of growth, most notably oil and coal. Brent crude oil prices strengthened, averaging \$67.0/bl, and on Thursday hit \$67.8/bl, its highest price since May 2015. Ongoing production cuts from OPEC, along with unrest in Iran, have supported prices. However, robust output from the US and Russia capped gains. API 2 coal prices grew last week to average \$90.6/t. On 3 January coal prices reached \$91.5/t, its highest price since March 2013. Strong Asia-Pacific demand, coupled with a weakening US dollar, lifted prices. EU ETS carbon prices remained relatively unchanged from the previous week (€8.0/t on average). Auction pause over the holiday period has likely sustained prices at their high levels since December 2015. Most near-term gas contracts experienced bearish activity last week. Prices were driven down by the news of the return of the Forties pipeline, along with reduced gas-for-power demand amid high wind output. Most near-term baseload power contracts also declined last week. However, day-ahead power climbed to £53.8/MWh, supported by rising demand. Prices gains were capped by strong wind generation throughout the week, along with news of returning French nuclear stations.

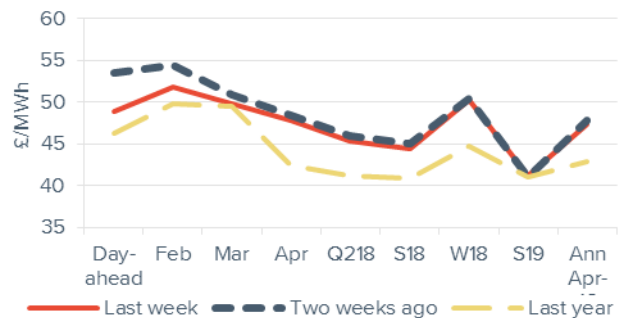
Baseload electricity

- Most baseload power contracts declined this week.
- Day-ahead power climbed 0.5% to £53.8/MWh, supported by rising demand. Prices were capped by strong wind generation throughout the week, along with news of returning French nuclear stations.
- The month-ahead (February) contract lost 4.8% to £51.8/MWh. The contract is now 3.9% above its level last year (£49.8/MWh).
- The annual April 18 power contract dropped 0.9% to £47.3/MWh.

Annual April contract



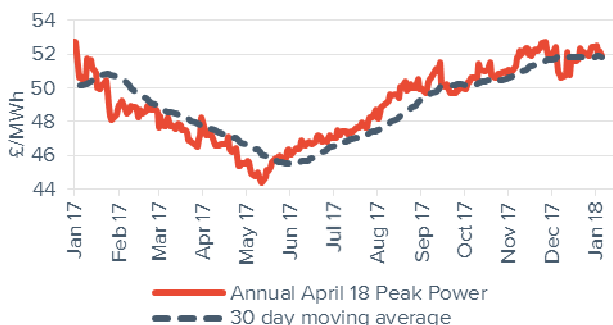
Forward curve comparison



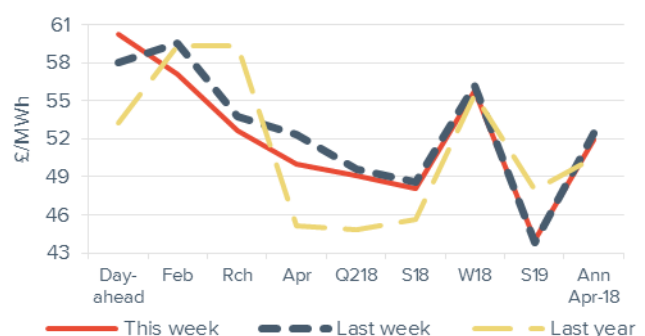
Peak electricity

- This week near-term peak power contracts lowered.
- In contrast to near curve trends, day-ahead peak power went up 3.8% to £60.3/MWh. The contract ended the week £6.5/MWh higher than its baseload counterpart.
- The month-ahead (February) contract declined 4.0% to £57.1/MWh. The contract finished the week £5.3/MWh higher than its baseload counterpart.
- Annual April 18 peak power declined 0.9% to £51.9/MWh. The contract was £4.6/MWh above its baseload power counterpart.

Annual April contract



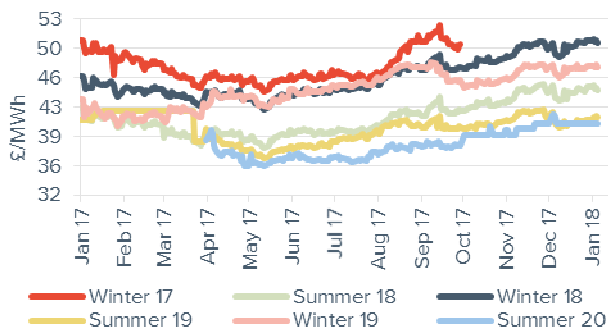
Forward curve comparison



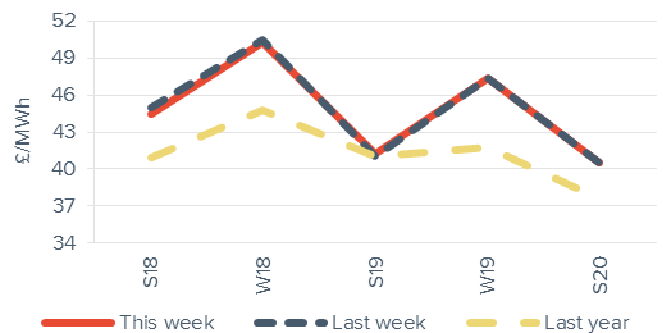


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Seasonal power contracts predominantly experienced losses this week.
- Summer 18 baseload power lowered 1.2% to £44.5/MWh. The winter 18 dropped 0.6% to £50.2/MWh.
- Most seasonal peak power contracts subsided last week.
- Summer 18 and winter 18 contracts lost 1.1% and 0.7% to £48.1/MWh and £55.8/MWh, respectively.

Supplier hedging strategies

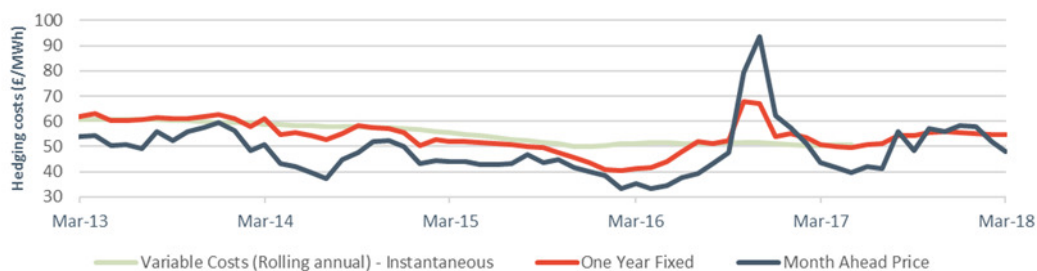
All power and gas contracts experienced gains across November, with near-term and seasonal contracts reaching multi-month highs. Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

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.

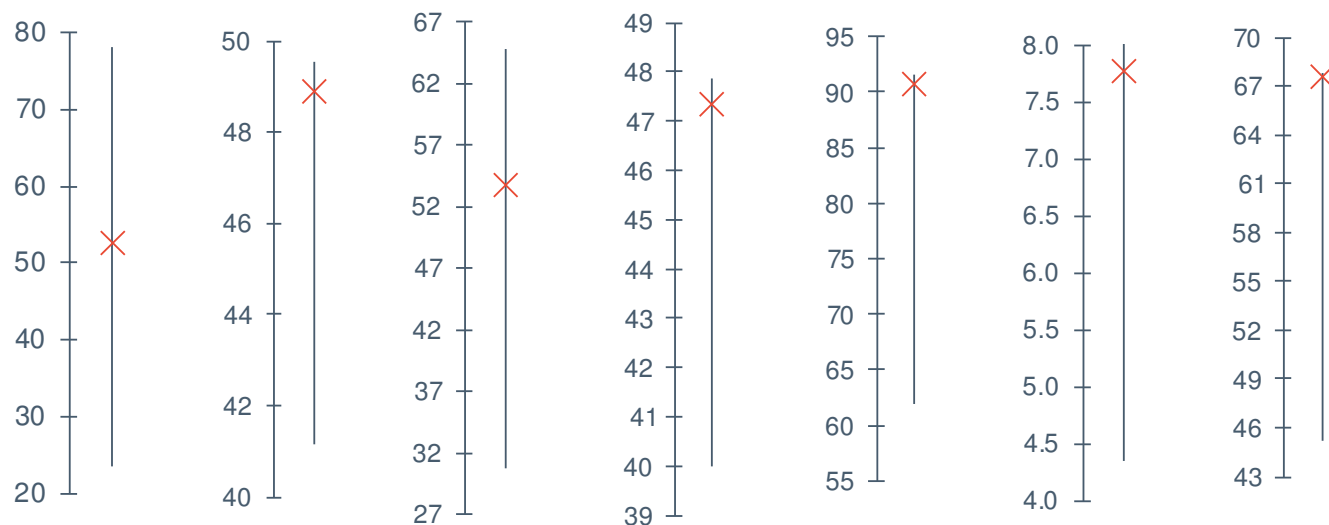




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	5 Jan 18	52.75	48.91	53.80	47.33	90.75	7.76	67.54
Last week	29 Dec 17	55.00	49.08	53.55	47.75	89.50	8.20	66.43
Four weeks ago	8 Dec 17	57.75	46.84	56.00	45.93	86.00	7.27	62.49
Last year	6 Jan 17	50.60	46.23	48.60	42.88	69.00	5.43	57.38
Year-on-year % change		4.2%	5.8%	10.7%	10.4%	31.5%	42.9%	17.7%
Year high		78.00	49.55	64.75	47.85	91.50	8.22	67.78
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.

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