



Energy Wholesale Market Review

Week Ending 12th January 2018



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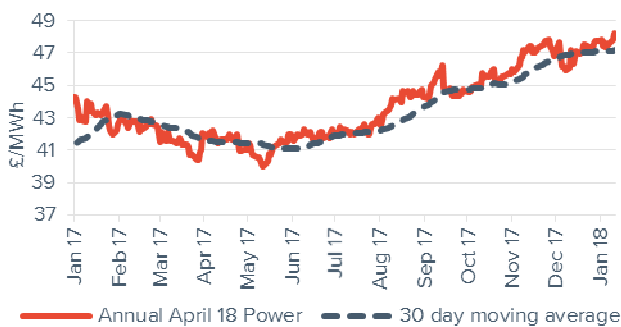
Headlines 15/01/2018

This week saw bullish gains across the majority of power, gas and commodity markets, as Brent crude oil rose to a three-year high. However, day-ahead power and carbon prices slumped. Brent crude oil prices rose to average \$68.7/bl last week, with prices reaching a three-year high of \$69.7/bl on Friday. Prices were driven by falling US crude inventories and production, along with tighter global supplies and continued concerns in Iran. All near-term gas contracts experienced growth last week, with most seasonal gas contracts also rising. Day-ahead gas prices lifted 3.3% to 54.5p/th, driven by rising domestic and gas-for-power demand. The highest seasonal growth was observed in the front gas seasons. API 2 coal prices also saw gains, as they lifted 0.9% last week to average \$91.4/t. Prices largely revolved around the \$91.5/t mark throughout last week, with continued strong demand from China and Indonesia. Most near-term baseload power contracts increased. However, day-ahead power fell 4.6% to £51.4/MWh, as stable gas, coal and nuclear supplies eased prices. Seasonal power contracts experienced growth last week, notably the front seasons. Day-ahead peak power followed its baseload counterpart downwards, falling 5.4% to £57.0/MWh, although rose mid-week amid low wind output and periods of tighter supplies.

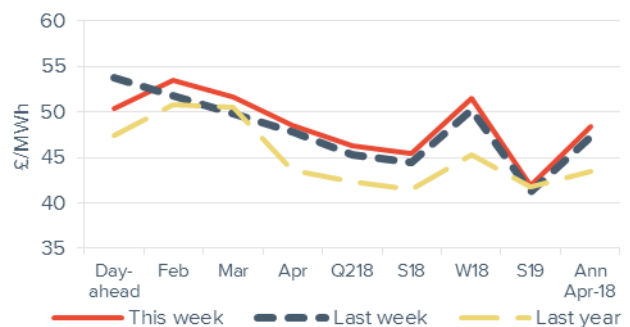
Baseload electricity

- The majority of near-term baseload power contracts reversed the previous week's losses.
- In contrast, day-ahead power fell 4.6% to £51.4/MWh. Prices were driven down by stable supplies throughout the week, with steady gas, coal and nuclear generation.
- The month-ahead (February) contract increased 3.3% to £53.5/MWh. However, the contract is now 7.0% below its level a month ago (£57.6/MWh).
- The annual April 18 power contract grew 2.4% to £48.5/MWh.

Annual April contract



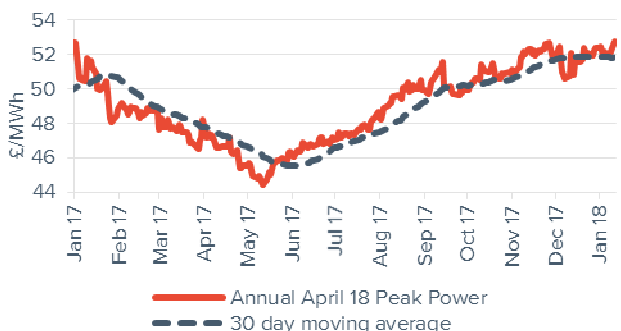
Forward curve comparison



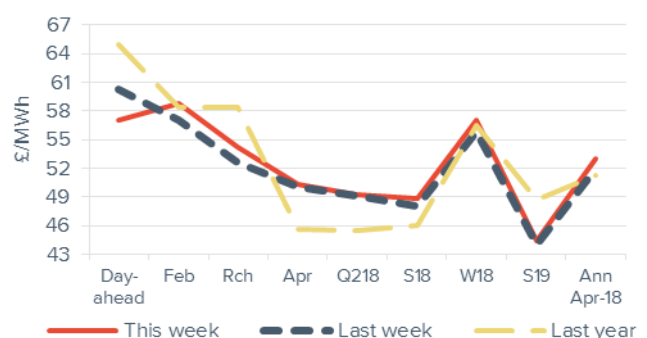
Peak electricity

- The majority of near-term peak power contracts moved higher last week.
- An exception was day-ahead peak power which subsided 5.4% to £57.0/MWh. The contract ended the week £5.6/MWh higher than its baseload counterpart.
- The month-ahead (February) contract expanded 3.0% to £58.8/MWh. The contract finished the week £5.3/MWh higher than its baseload counterpart.
- Annual April 18 peak power rose 2.0% to £53.0/MWh. The contract was £4.5/MWh above its baseload power counterpart.

Annual April contract



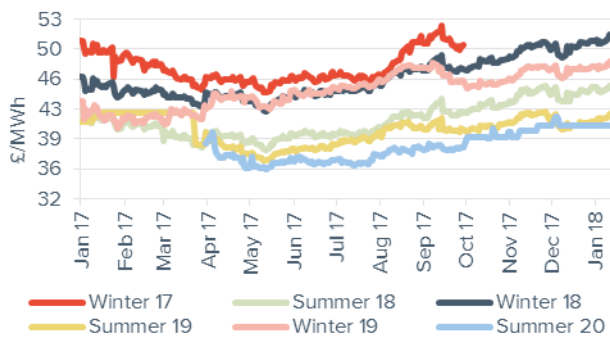
Forward curve comparison



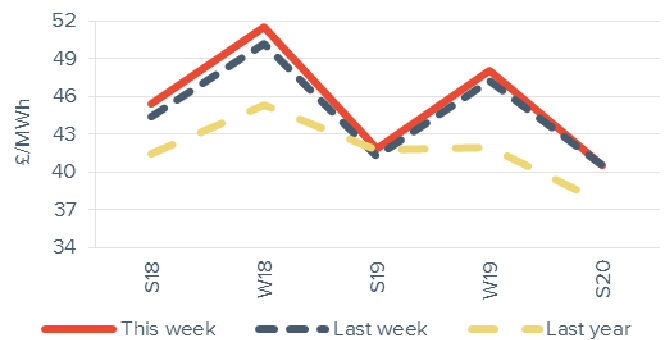


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Seasonal power contracts experienced growth last week, most notably front seasons.
- Summer 18 baseload power rose 2.1% to £45.4/MWh. The winter 18 contract lifted 2.6% to £51.5/MWh.
- Seasonal peak power contracts climbed last week, with the exception of the summer 20 contract.
- Summer 18 and winter 18 contracts boosted 1.6% and 2.3% to £48.8/MWh and £57.1/MWh.

Supplier hedging strategies

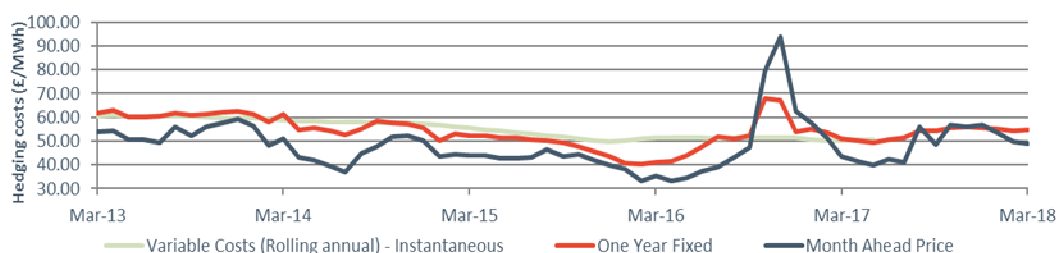
Throughout December near-term power and gas contracts experienced gains, with day-ahead gas reaching a four-year high, while its power equivalent hit a six-month high. Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

The annual April 18 gas rose 0.4% to 53.4p/th throughout December. The annual April 18 power contract dipped 0.2% to £46.9/MWh. Brent crude oil prices lifted 1.5% to average \$63.7/bl throughout the month, while API 2 coal prices lifted 3.6% to average \$88.2/t. After six bullish months of growth EU ETS carbon prices declined 2.2% to average €7.4/t.

During December, the price changes seen to fixed domestic dual-fuel tariffs were predominantly gains. 26 of the price changes were increases, whereas 8 were decreases. The highest price increase was Scottish Power's "Help Beat Cancer Fixed Price Energy Jan20v2 Online" tariff which grew 20.3% to £ 945.89/year. In contrast, the largest price decrease was also Scottish Power's, their "Online Fixed Saver January 2019" tariff, which fell by 4.8% to £ 1021.7/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.

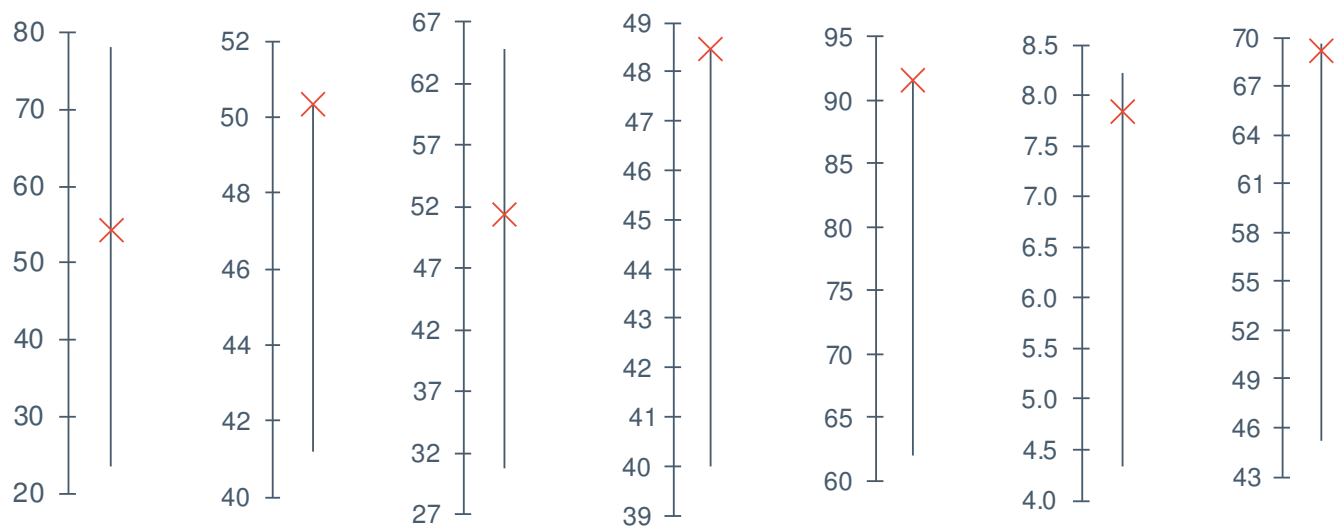




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	12 Jan 18	54.50	50.32	51.35	48.45	91.50	7.83	69.19
Last week	5 Jan 18	52.75	48.91	53.80	47.33	90.75	7.76	67.54
Four weeks ago	15 Dec 17	60.50	48.56	57.00	47.10	89.50	7.15	63.47
Last year	13 Jan 17	54.50	47.42	57.25	43.40	67.55	5.03	55.35
Year-on-year %change		0.0%	6.1%	-10.3%	11.6%	35.5%	55.7%	25.0%
Year high		78.00	50.32	64.75	48.45	91.50	8.22	69.56
Year low		23.50	41.17	30.75	39.98	62.00	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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