



Energy Wholesale Market Review

Week Ending 19th January 2018



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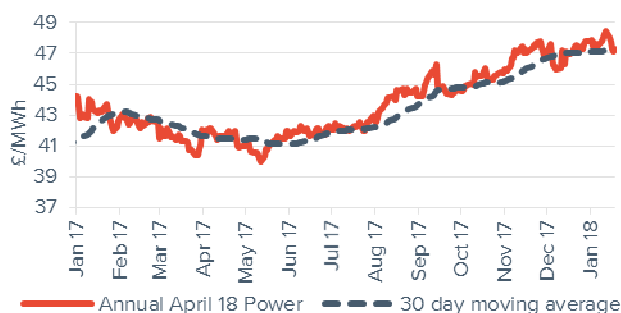
Headlines 19/01/2018

This week saw bearish movement across all power and gas contracts. Meanwhile, commodities experienced gains across EU ETS carbon and Brent crude oil. Reductions to prices were observed across all near-term gas contracts this week. Day-ahead gas prices dropped 8.3% to 50.0p/th as prices were weakened by declining demand for gas due to milder temperatures and gas-for-power demand lowered amid robust wind generation. Baseload power experienced bearish activity this week. Day-ahead power fell 4.7% to £49.0/MWh. Prices were driven lower by weakening demand, coupled with strong renewables output during the week, boosted by wind generation. All near-term peak power contracts declined, with day-ahead peak power subsiding 7.0% to £53.0/MWh. Seasonal contracts throughout baseload, peak and gas contracts equally observed losses. API 2 coal prices dipped 0.4% to average \$91.0/t as prices were influenced by a fading US dollar and weak European demand across the week. EU ETS carbon prices grew 3.6% to average €8.1/t, and on 19 January, prices reached €8.6/t, a two-year high. Growth stems from concerns Germany may scrap its 2020 climate targets during the coalition formation. Brent crude oil prices grew 1.1% to average \$69.4/bl throughout the week with prices being influenced by tightening supplies from OPEC and non-OPEC members.

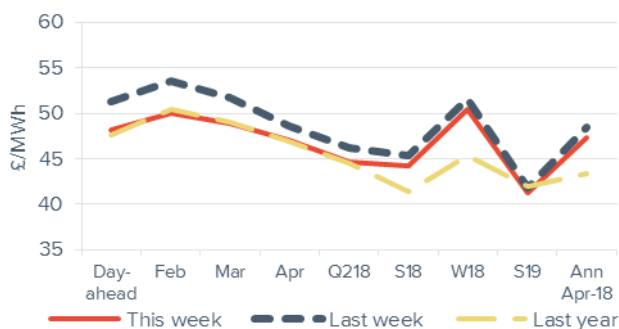
Baseload electricity

- Baseload power experienced bearish activity this week.
- Day-ahead power fell 4.7% to £49.0/MWh. Prices were driven lower by weakening demand, coupled strong renewables output, predominantly wind generation.
- The month-ahead (February) contract curtailed 6.5% to £50.0/MWh. The contract is now 9.5% below its level a month ago (£55.4/MWh).
- The annual April 18 power contract lowered 2.3% to £47.3/MWh.

Annual April contract



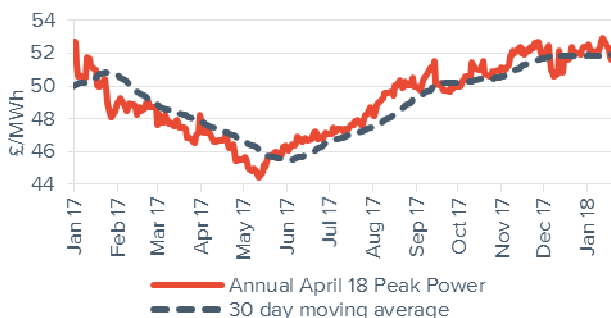
Forward curve comparison



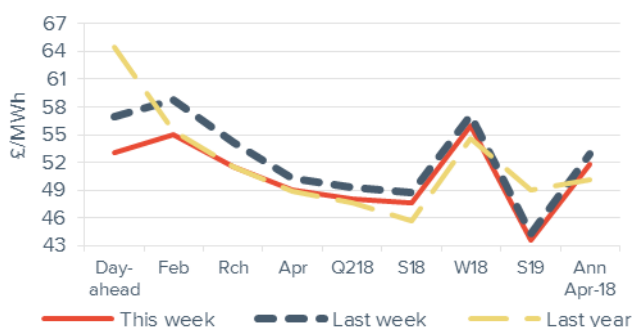
Peak electricity

- All near-term peak power contracts declined this week.
- Day-ahead peak power subsided 7.0% to £53.0/MWh. The contract ended the week £4.0/MWh higher than its baseload counterpart.
- The month-ahead (February) contract lost 6.5% to £55.0/MWh. The contract finished the week £5.0/MWh higher than its baseload counterpart.
- Annual April 18 peak power slipped 2.2% to £51.8/MWh. The contract was £4.5/MWh above its baseload power counterpart.

Annual April contract



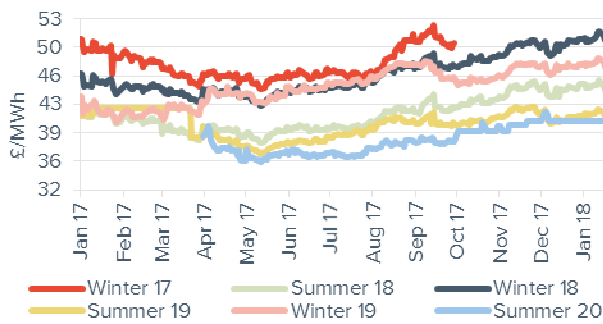
Forward curve comparison



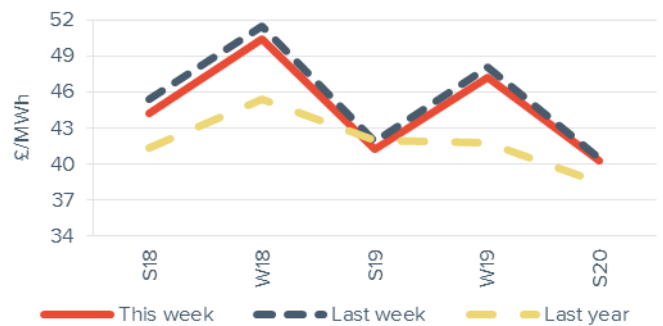


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Seasonal power contracts experienced losses across the week.
- Summer 18 baseload power dropped 2.6% to £44.2/MWh. The winter 18 contract lost 2.0% to £50.5/MWh.
- Seasonal peak power contracts subsided this week, with the highest losses occurring in the front seasons.
- Summer 18 and winter 18 contracts fell 2.5% and 1.9% to £47.6/MWh and £56.0/MWh.

Supplier hedging strategies

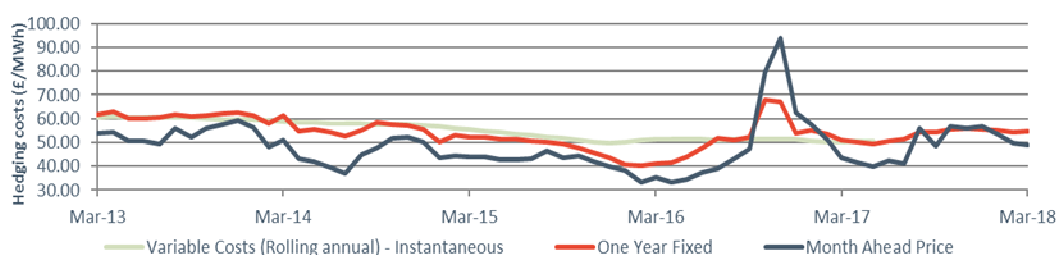
Throughout December near-term power and gas contracts experienced gains, with day-ahead gas reaching a four-year high, while its power equivalent hit a six-month high. Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

The annual April 18 gas rose 0.4% to 53.4p/th throughout December. Meanwhile, 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 eight were decreases. The highest price increase was Scottish Power's "Help Beat Cancer Fixed Price Energy Jan20v2 Online" tariff which grew 20.3% to £946/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 £1,022/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.

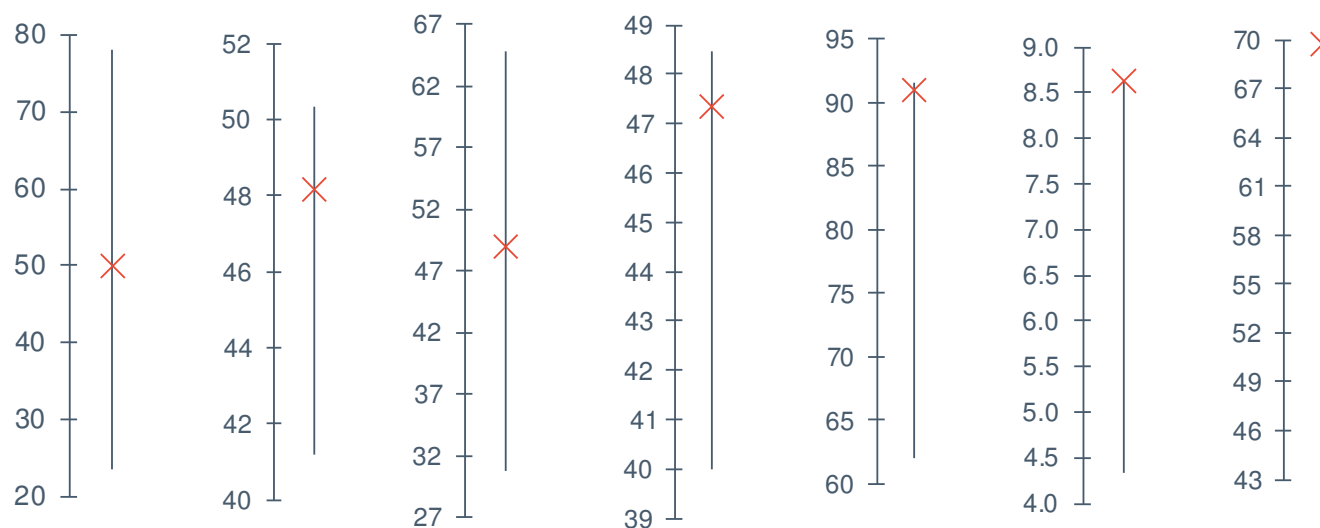




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	19 Jan 18	50.00	48.18	48.95	47.33	91.00	8.62	69.73
Last week	12 Jan 18	54.50	50.32	51.35	48.45	91.50	7.83	69.19
Four weeks ago	22 Dec 17	57.25	48.82	55.25	47.53	89.75	7.39	64.69
Last year	20 Jan 17	55.30	47.55	56.00	43.35	67.00	5.19	54.71
Year-on-year % change		-9.6%	1.3%	-12.6%	9.2%	35.8%	66.1%	27.5%
Year high		78.00	50.32	64.75	48.45	91.50	8.62	69.79
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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