



Energy Wholesale Market Review

Week Ending 23rd February 2018



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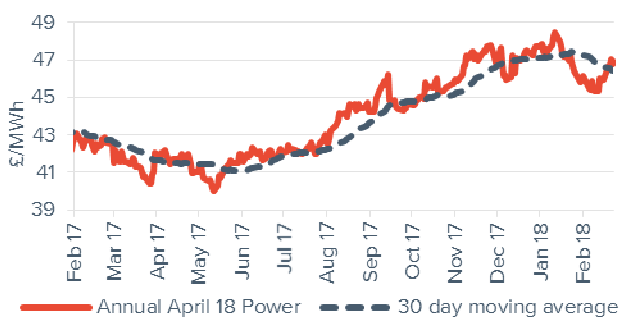
Headlines 23/02/2018

This week saw gains across power, gas and commodity contracts, with substantial rises experienced in day-ahead gas and power prices. Day-ahead baseload power experienced notable growth across the week, rising 30.1% to £64.0/MWh, an eight-month high. This was driven by the curtailment in forecast wind generation, higher gas prices and an uptick in power demand amid cold weather. Day-ahead gas leapt 45.4% to 73.0p/th, a two-month high. A series of unplanned outages at the start of the week, forecasts of colder temperatures, and low imports of LNG supported prices. In addition, all near-term peak power contracts moved higher. Day-ahead peak power surged 34.8% to £71.3/MWh. API 2 coal prices climbed this week, rising 4.6% to average \$82.5/t. Higher gas prices resulted in greater demand for coal for power generation, as the spreads became more favourable. Brent crude oil prices rose 2.5% to average \$65.2/bl throughout the week. Drivers of growth across the week stemmed from renewed rising tensions between Israel and Iran, and the recovery of the global equity market. EU ETS carbon prices grew 0.8% to average €9.7/t this week. Carbon prices rose amid more favourable spreads for coal-fired power generation and reacted to rising German power prices. Prices rose towards the end of the week reacting to a dip in the next auctions volume.

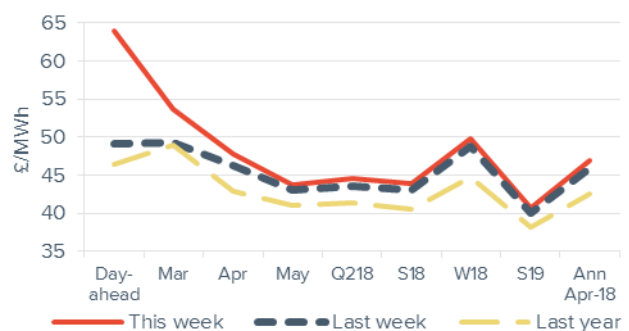
Baseload electricity

- All near-term baseload power contracts increased this week.
- Day-ahead baseload power experienced notable growth across the week, rising 30.1% to £64.0/MWh, an eight-month high.
- The month-ahead (March) contract boosted 8.9% to £53.8/MWh. The contract is now 12.8% above its level a month ago (£47.7/MWh).
- The annual April 18 power contract went up 2.1% to £46.9/MWh.

Annual April contract



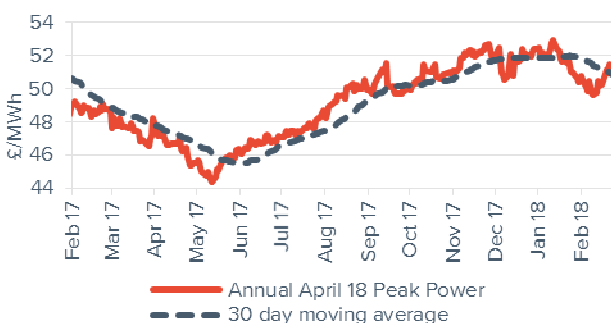
Forward curve comparison



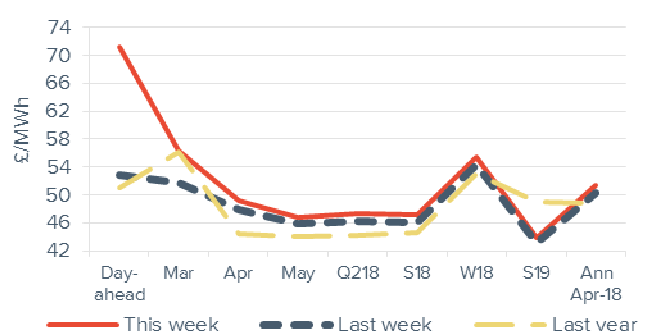
Peak electricity

- All near-term peak power contracts moved higher this week.
- Day-ahead peak power surged 34.8% to £71.3/MWh. The contract ended the week £7.3/MWh higher than its baseload counterpart.
- The month-ahead (March) contract expanded 8.7% to £56.3/MWh. The contract finished the week £2.5/MWh higher than its baseload counterpart.
- Annual April 18 peak power ascended 2.2% higher to £51.3/MWh. The contract was £4.4/MWh above its baseload power counterpart.

Annual April contract



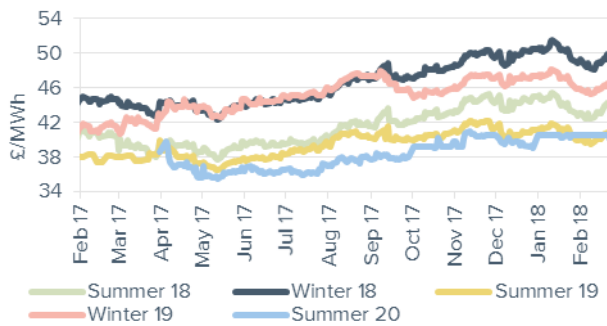
Forward curve comparison



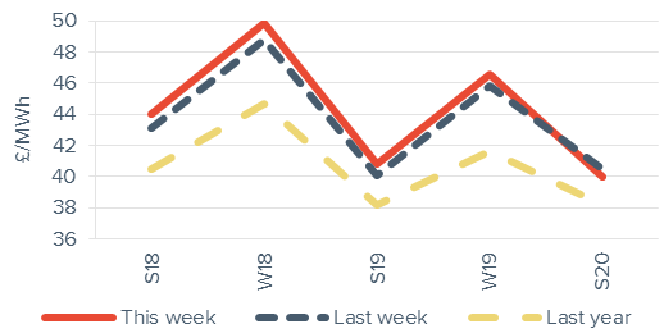


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal baseload power prices moved higher this week, rising on average by 1.3%.
- Summer 18 power gained 2.1% to £44.0/MWh and the winter 18 contract lifted 2.0% to £49.8/MWh.
- All seasonal peak power contracts increased this week.
- The summer 18 contract increased 2.3% to £47.1/MWh. Winter 18 peak power climbed 2.1% to £55.5/MWh.

Supplier hedging strategies

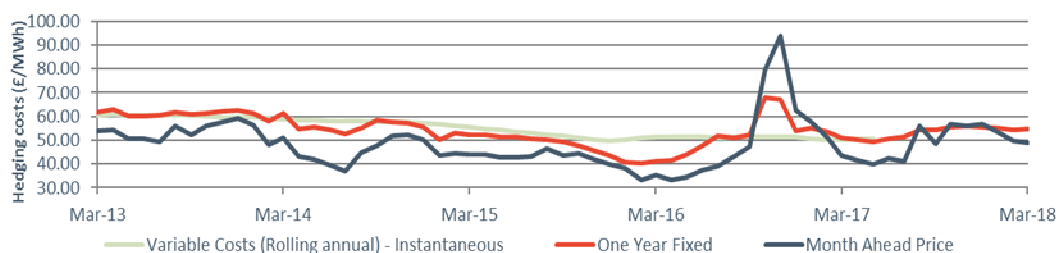
Throughout January near-term power and gas contracts experienced losses, with day-ahead gas reaching a three-month low (47.8p/th), while its power equivalent declined 8.6% to average £50.9/MWh. Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

Annual April 18 gas contract remained unchanged, continuing to average 48.4p/th. Meanwhile, the annual April 18 power contract grew 0.7% to £47.3/MWh. Brent crude oil prices lifted 8.0% to average \$68.8/bl throughout the month, while API 2 coal prices rose 2.1% to average \$90.0/t. EU ETS carbon prices leapt 11.6% to average €8.3/t.

During January, 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.

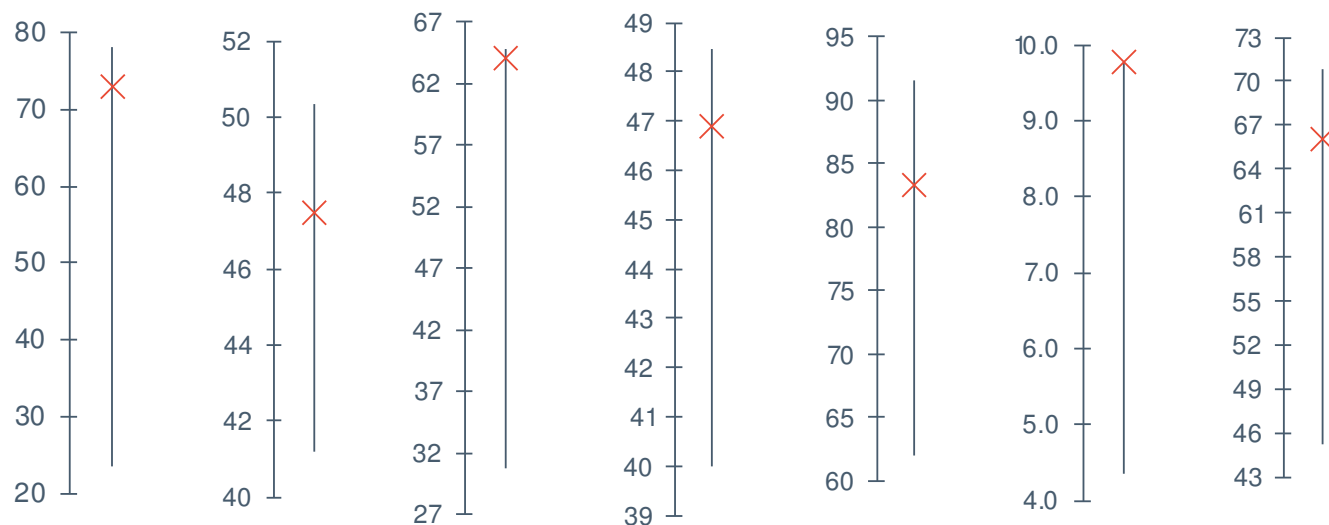




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	23 Feb 18	73.00	47.49	64.00	46.90	83.25	9.77	65.99
Last week	16 Feb 18	50.20	46.04	49.20	45.95	80.50	9.56	64.65
Four weeks ago	26 Jan 18	48.00	46.60	48.05	46.30	88.00	9.09	70.56
Last year	24 Feb 17	46.25	45.74	46.40	42.60	68.60	5.36	56.28
Year-on-year % change		57.8%	3.8%	37.9%	10.1%	21.4%	82.3%	17.3%
Year high		78.00	50.32	64.75	48.45	91.50	9.78	70.79
Year low		23.50	41.17	30.75	39.98	62.00	4.34	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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