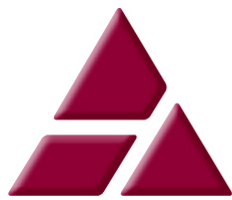




Energy Wholesale Market Review

Week Ending 2nd March 2018



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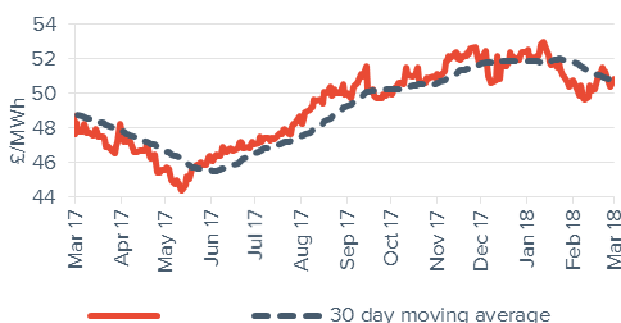
Headlines 02/03/2018

This week saw extraordinary spikes in spot power and gas prices amid cold weather, high demand and numerous gas and power supply outages. National Grid issued a gas deficit warning on Thursday. This was the first time that such a warning had been triggered since it was introduced in 2012. The warning is issued by National Grid if a significant supply or demand event occurs, which represents a material risk to the balance of gas in the NTS. The warning followed multiple gas supply outages, including South Hook LNG terminal, Kollsnes gas processing plant, and the BBL interconnector. This resulted in reduced supplies from Norway and Holland. The end of the week (Friday) saw day-ahead prices (i.e. for delivery on Monday) remain high at 100.0p/th, with forecasts of sustained high demand levels into next week. Spot power prices followed gas prices, with issues exacerbated by power plant outages. Day-ahead baseload power prices reached a one-and-a-half year high of £98.0/MWh on Thursday, before falling to £76.5/MWh on Friday. Within-day power prices climbed to £420/MWh. More notable power plant outages included Sutton Bridge, South Humber Bank, and Pembroke CCGT stations, as well as Torness nuclear plant. In contrast to spot prices, almost all other gas and power contracts declined. Seasonal baseload power prices fell on average by 1.5%, and seasonal gas prices dropped 1.7%.

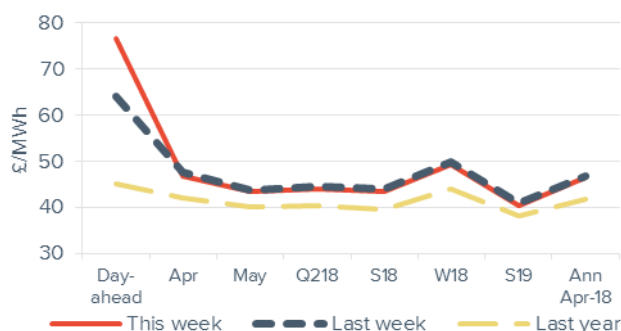
Baseload electricity

- Most near-term baseload power contracts decreased this week.
- Day-ahead baseload power prices was contrary to other near-term contracts rising 19.5% to £76.5/MWh, on 1 March prices reached a one-and-a-half year high (£98.0/MWh).
- The month-ahead (April) contract lost 2.0% to £46.8/MWh. The contract is now 1.9% above its level a month ago (£45.9/MWh).
- The annual April 18 power contract went down 1.1% to £46.4/MWh.

Annual April contract



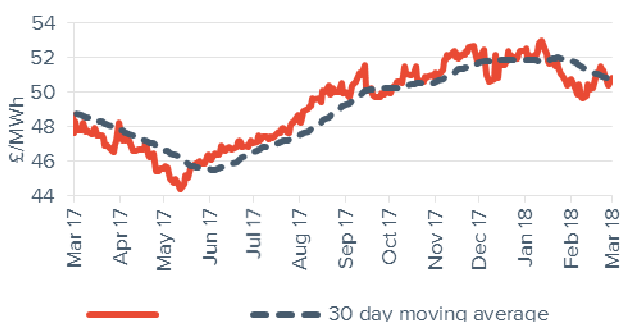
Forward curve comparison



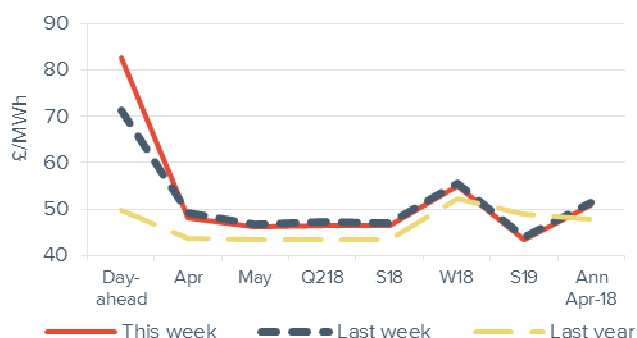
Peak electricity

- Near-term peak power contracts moved lower this week.
- In contrast, day-ahead peak power gained 15.8% to £82.5/MWh. The contract ended the week £6.0/MWh higher than its baseload counterpart.
- The month-ahead (April) contract lowered 2.2% to £48.1/MWh. The contract finished the week £1.3/MWh higher than its baseload counterpart.
- Annual April 18 peak power lowered 1.1% to £50.7/MWh. The contract was £4.3/MWh above its baseload power counterpart.

Annual April contract



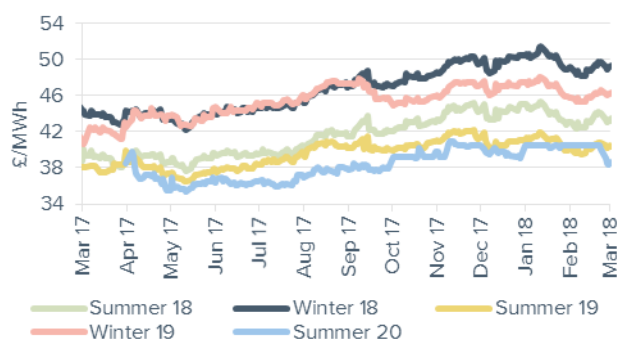
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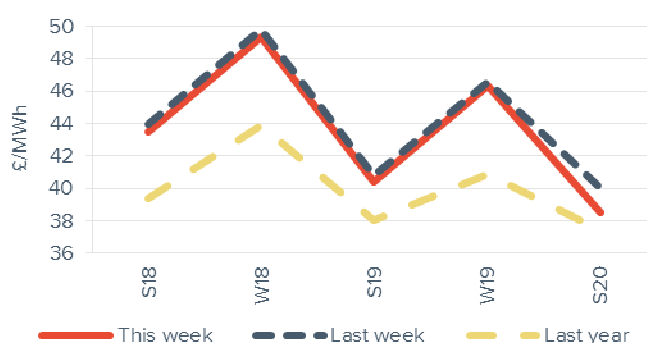


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Most seasonal baseload power prices moved downwards this week, falling on average by 1.5%.
- Summer 18 power declined 1.1% to £43.5/MWh and the winter 18 contract fell 1.0% to £49.3/MWh.
- Most seasonal peak power contracts decreased this week.
- The summer 18 contract reduced by 1.5% to £46.4/MWh. Winter 18 peak power slipped 0.8% to £55.0/MWh.

Supplier hedging strategies

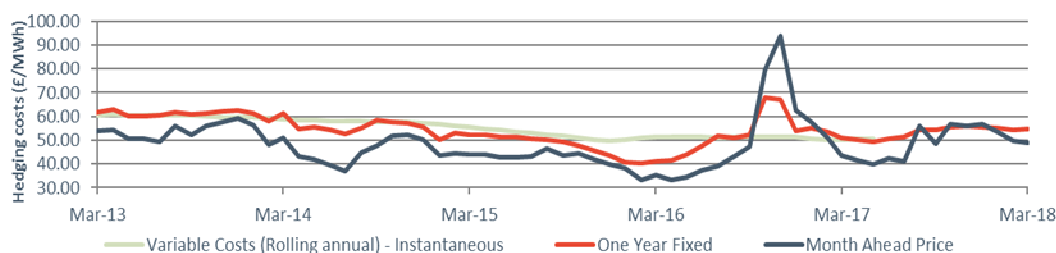
Throughout January near-term power and gas contracts experienced losses, with day-ahead gas reaching a three-month low (47.8p/th), while its power equivalent declined 8.6% to average £50.9/MWh. Brent crude oil, API 2 coal and EU ETS carbon prices all reached multi-year highs.

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.

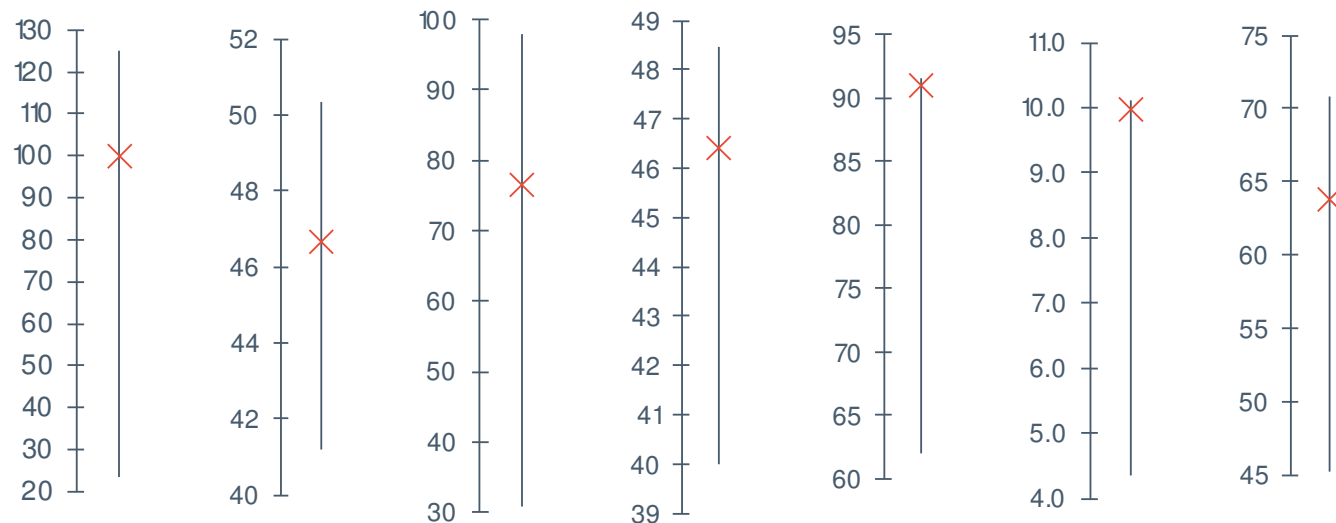




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	2 Mar '18	100.00	46.68	76.50	46.41	91.00	9.98	63.75
Last week	23 Feb '18	73.00	47.49	64.00	46.90	83.25	9.77	65.99
Four weeks ago	2 Feb '18	52.00	46.26	51.25	46.03	82.25	9.02	69.55
Last year	3 Mar '17	43.25	44.24	45.25	41.65	68.00	5.56	55.30
Year-on-year % change		131.2%	5.5%	69.1%	11.4%	33.8%	79.5%	15.3%
Year high		125.00	50.32	98.00	48.45	91.50	10.10	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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