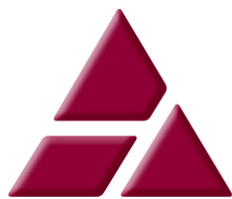




Energy Wholesale Market Review

Week Ending 9th March 2018



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Headlines 09/03/2018

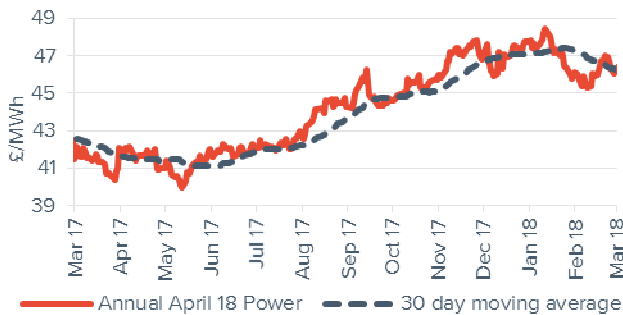
This week saw substantial losses for day-ahead power and gas prices. While EU ETS carbon prices continued to reach new highs. On 8 March, carbon prices hit a fresh six-year-and-a-half high of €111.1/t. EU ETS carbon prices grew 6.7% to average €10.5/t this week. High volumes of activity on the market, along with strong auction results across the week lead to continued bullish gains for carbon prices. While most gas contracts rose, day-ahead gas fell 46.8% to 53.2p/th. Weakened demand and periods of oversupply on the system aided in weakening gas prices.

Similar movements occurred in power contracts, as day-ahead baseload power prices fell 30.9% to £52.9/MWh. Easing power demand and strengthening supply margins supported bearish power prices throughout the week. Day-ahead peak power lost 31.6% to £56.4/MWh. The contract ended the week £3.5/MWh higher than its baseload counterpart. Brent crude oil prices grew 1.5% to average \$64.8/bl throughout the week. Brent crude oil prices continue to be weighed down by the bearish fundamentals brought upon by increasing US production. API 2 coal prices fell this week, down 5.5% to average \$77.4/t. Prices weakened amid easing European demand. In contrast, lower Russian and Australian output pegged back losses.

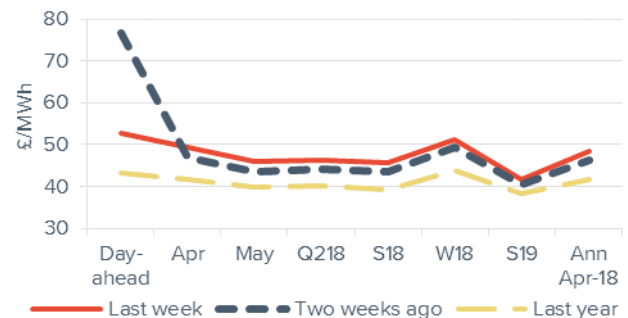
Baseload electricity

- Most near-term baseload power contracts decreased this week.
- In contrast, day-ahead baseload power prices fell 30.9% to £52.9/MWh. Easing power demand aided bearish power prices throughout the week.
- The month-ahead (April) contract gained 5.5% to £49.4/MWh. The contract is now 8.1% above its level a month ago (£45.7/MWh).
- The annual April 18 power contract went up 4.2% to £48.4/MWh.

Annual April contract



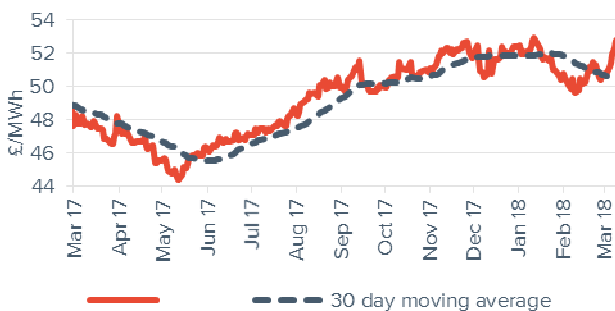
Forward curve comparison



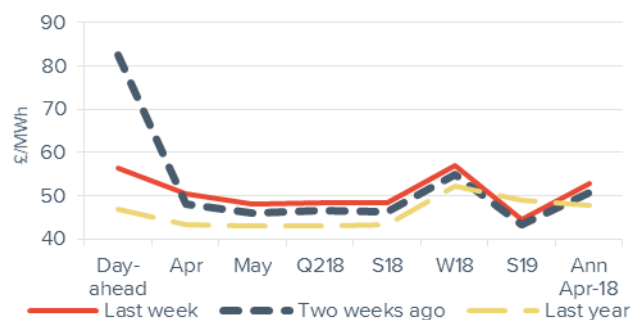
Peak electricity

- With the exception of the day-ahead contract, near-term peak power contracts moved higher this week, following their baseload counterparts upwards.
- Day-ahead peak power lost 31.6% to £56.4/MWh. The contract ended the week £3.5/MWh higher than its baseload counterpart.
- The month-ahead (April) contract boosted 4.6% to £50.4/MWh. The contract finished the week £1.0/MWh higher than its baseload counterpart.
- Annual April 18 peak power climbed 4.1% to £52.8/MWh. The contract was £4.4/MWh above its baseload power counterpart.

Annual April contract



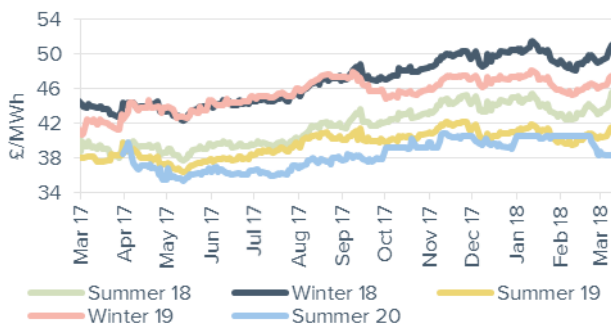
Forward curve comparison



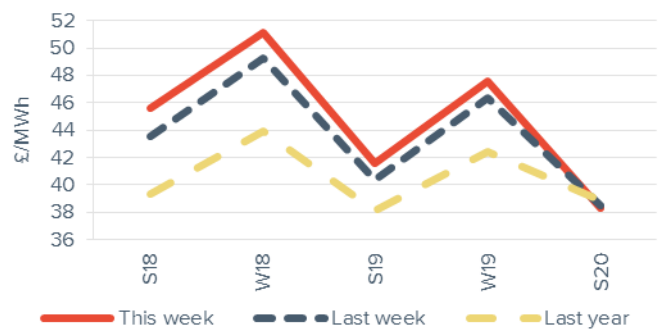


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Most seasonal baseload power prices moved upwards this week, rising on average by 2.7%.
- Summer 18 power rose 4.8% to £45.6/MWh and the winter 18 contract went up 3.7% to £51.1/MWh.
- Most seasonal peak power contracts increased this week.
- The summer 18 contract went up by 4.5% to £48.5/MWh. Winter 18 peak power ascended 3.8% to £55.0/MWh.

Supplier hedging strategies

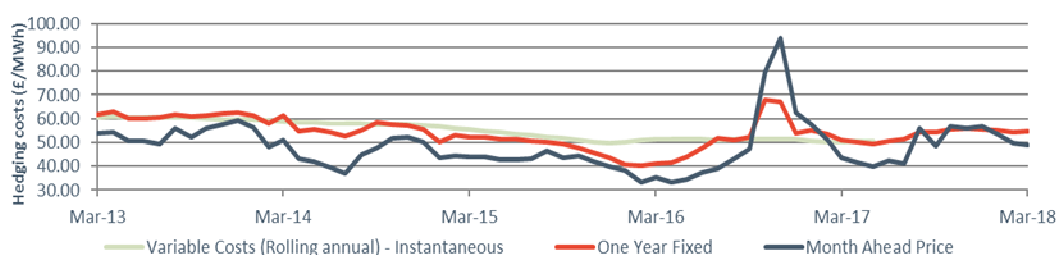
Throughout February near-term power and gas contracts experienced robust growth, as day-ahead gas reached a five-year high of 105.0p/th, while the power equivalent hit an 18-month high (£83.5/MWh). Brent crude oil and API 2 coal prices experienced losses last month, while EU ETS carbon prices reached a six-year high.

The annual April-18 gas contract decreased by 4.2% to average 46.3p/th. Meanwhile, the annual April 18 power contract slipped 2.5% to £46.1/MWh. EU ETS carbon prices extended from the previous month's gains, growing 12.5% to average €9.4/t. On 28 February prices reached €10.1/t, a six-year high. API 2 coal prices dropped 10.0% to average \$80.7/t in February, while Brent crude oil prices declined 4.5% to average \$65.7/bl.

The price changes seen to fixed domestic dual-fuel tariffs were mixed, with a slight bias towards losses. 26 of the price changes were decreases, whereas 23 were gains. The highest price increase was Good Energy's "Good Energy & Gas+" tariff which grew 6.9% to £1,248.0/year. In contrast, the largest price decrease was Ovo Energy's "Better Energy (all online)" tariff, which fell 13.2% to £911.0/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.

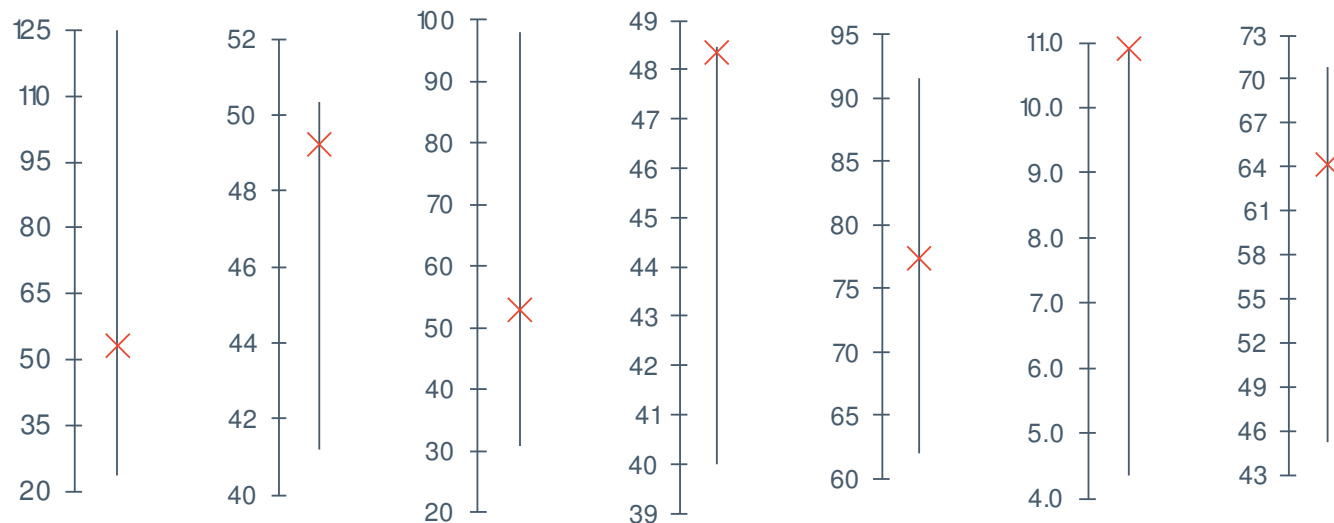




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	9 Mar 18	53.20	49.20	52.85	48.36	77.35	10.90	64.15
Last week	2 Mar 18	100.00	46.68	76.50	46.41	91.00	9.98	63.75
Four weeks ago	9 Feb 18	50.40	45.45	48.00	45.33	77.00	9.09	64.48
Last year	10 Mar 17	42.30	44.32	43.15	41.60	64.50	5.10	52.39
Year-on-year %change		25.8%	11.0%	22.5%	16.2%	19.9%	113.7%	22.4%
Year high		125.00	50.32	98.00	48.45	91.50	10.90	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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