

Energy Wholesale Market Review

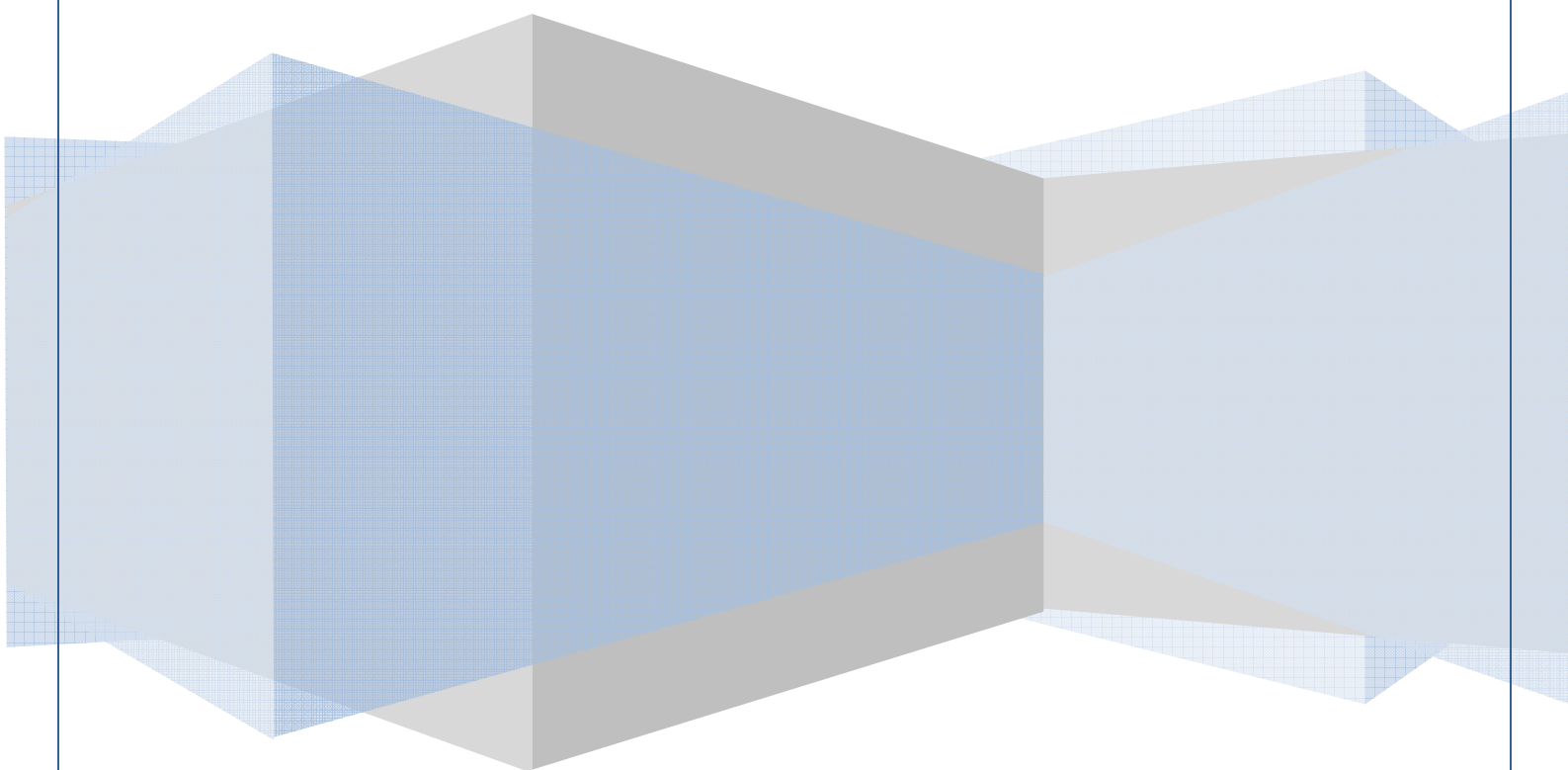
Week Ending 16th March 2018



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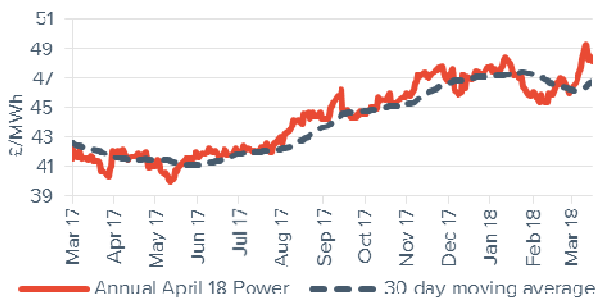
Headlines 16/03/2018

This week saw a reversal of trends compared to the previous week, as day-ahead power and gas contracts leapt upwards. Contracts further along the curve eased downwards, despite some reaching multi-year highs early in the week. Day-ahead gas leapt 25.9% week-on-week to 67.0p/th, up from 53.2p/th the previous week. Growth stemmed from forecasts of below seasonal normal temperatures. Support for prices was coupled with concerns over the capacity of gas reverses in the UK and across Europe. Day-ahead power gained 20.2% to £63.5/MWh. Prices were pushed upwards by a cocktail of low wind generation, rising day-ahead gas prices and higher carbon prices. On 13 March, EU ETS carbon prices hit a fresh six-year-and-a-half high of €11.5/t. Prices grew 6.3% to average €11.2/t this week. Higher CO2 levels amid rising industrial productivity throughout Europe supported carbon price growth. Brent crude oil prices experienced an uptick of 0.4% to average \$65.1/bl throughout the week. Oil prices increased with the announcement of new Russian sanctions imposed by the US. Expectations that current OPEC conditions are unlikely to change for the remainder of the year further supported prices. API 2 coal prices extended upon the previous week's losses, declining 1.6% to average \$76.1/t.

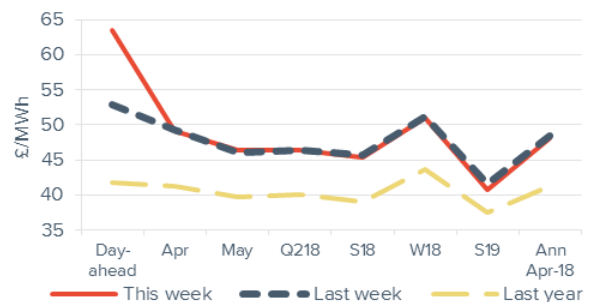
Baseload electricity

- Most near-term baseload power contracts rose this week.
- Day-ahead power gained 20.2% to £63.5/MWh, up from £52.9/MWh the previous week. Low renewables output, particularly from wind, and rising gas and carbon prices saw the day-ahead power contract move upwards.
- The month-ahead (April) contract lowered 0.5% to £49.1/MWh. The contract is now 5.9% above its level a month ago (£46.4/MWh).
- The annual April 18 power contract fell 0.4% to £48.2/MWh.

Annual April contract



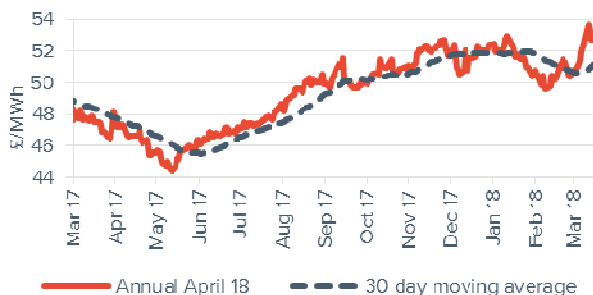
Forward curve comparison



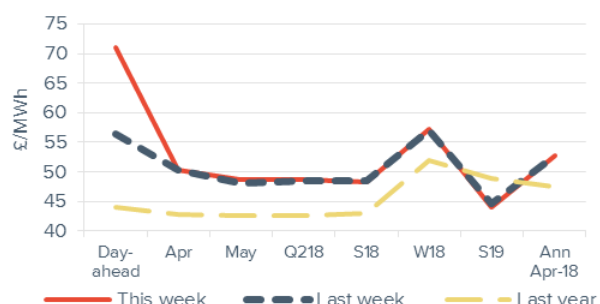
Peak electricity

- Most near-term peak power contracts increased this week, following gas prices upwards.
- Day-ahead peak power boosted 25.9% to £71.0/MWh. The contract ended the week £7.5/MWh higher than its baseload counterpart.
- The month-ahead (April) contract dipped 0.1% to £50.3/MWh. The contract finished the week £1.2/MWh higher than its baseload counterpart.
- Annual April 18 peak power remained relatively unchanged slipping 0.1% to £52.8/MWh. The contract was £4.6/MWh above its baseload power counterpart.

Annual April contract



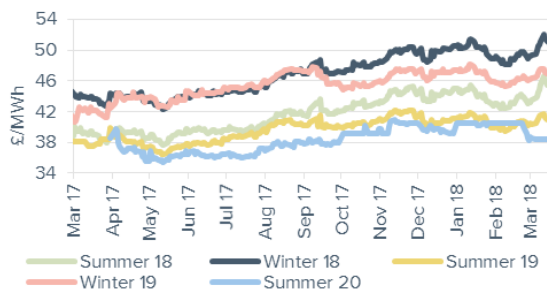
Forward curve comparison



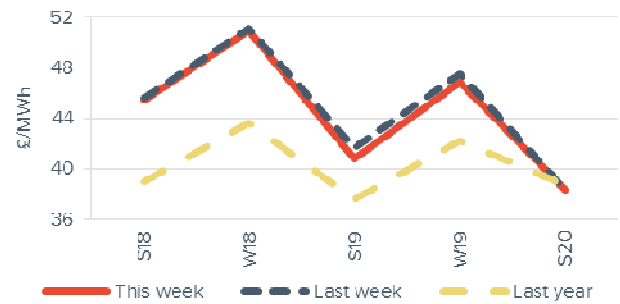


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Seasonal baseload power prices declined this week, falling on average by 1.1%.
- Summer 18 power dropped 0.4% to £45.4/MWh and the winter 18 contract fell 0.4% to £50.9/MWh.
- Seasonal peak power contracts experienced mixed movements this week.
- The summer 18 contract lowered 0.4% to £48.3/MWh. In contrast, winter 18 peak power rose 0.2% to £57.2/MWh.

Supplier hedging strategies

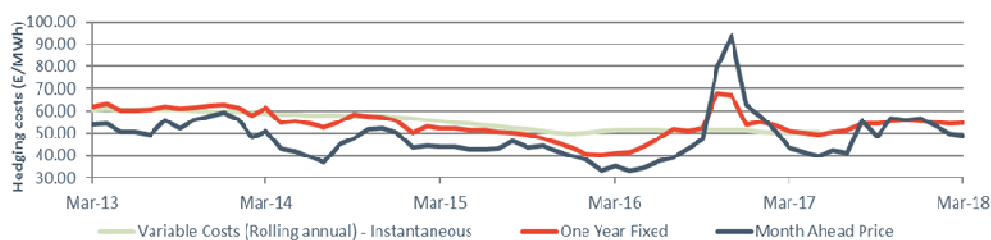
Throughout February near-term power and gas contracts experienced robust growth, as day-ahead gas reached a five-year high of 105.0p/th, while the power equivalent hit an 18-month high (£83.5/MWh). Brent crude oil and API 2 coal prices experienced losses last month, while EU ETS carbon prices reached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

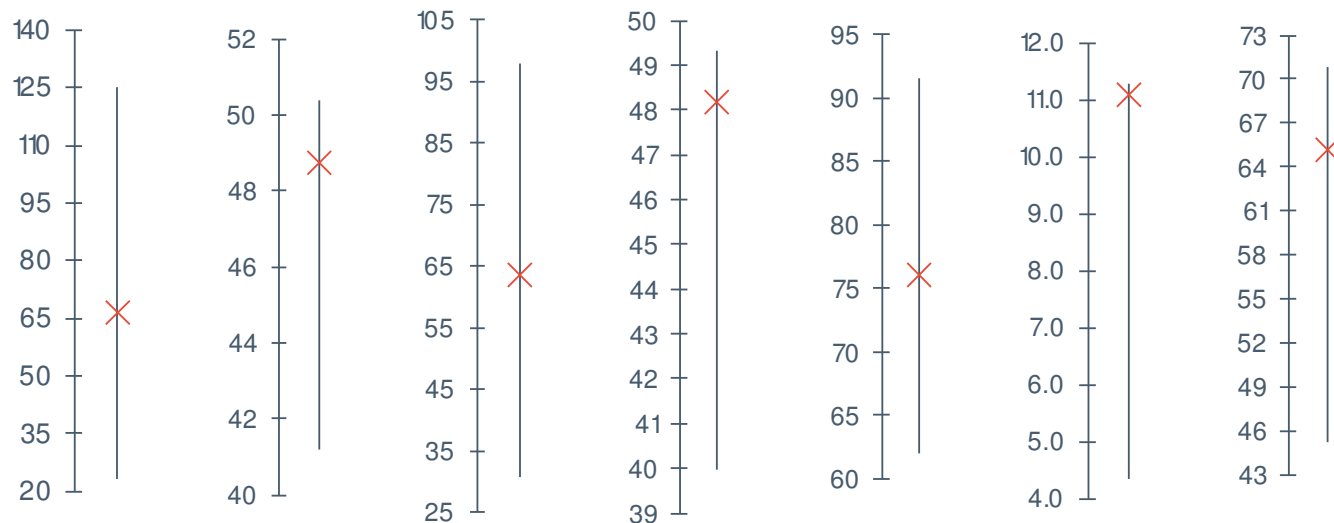




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	16 Mar 18	67.00	48.73	63.50	48.16	76.00	11.08	65.19
Last week	9 Mar 18	53.20	49.20	52.85	48.36	77.35	10.90	64.15
Four weeks ago	16 Feb 18	50.20	46.04	49.20	45.95	80.50	9.56	64.65
Last year	17 Mar 17	41.10	43.60	41.75	41.33	64.50	5.17	52.05
Year-on-year %change		63.0%	11.8%	52.1%	16.5%	17.8%	114.3%	25.2%
Year high		125.00	50.40	98.00	49.31	91.50	11.29	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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