



Energy Wholesale Market Review

Week Ending 23rd March 2018



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Contents

Baseload electricity.....	3
Peak electricity.....	3
Seasonal power prices.....	4
Supplier hedging strategies	4
Wholesale price snapshot	5
About EDW Technology Limited	6



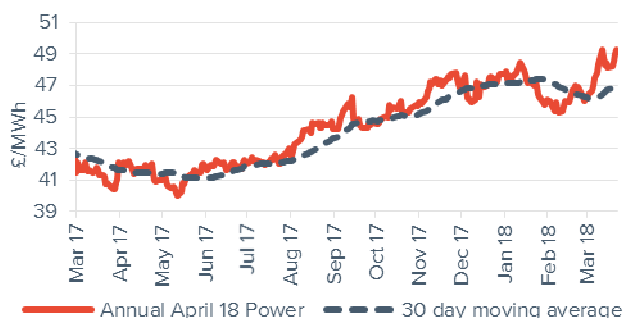
Headlines 23/03/2018

This week saw EU ETS carbon prices soar to their highest level since September 2011 after Energy and Clean Growth Minister, Claire Perry, said the UK wishes to stay in the EU ETS scheme until at least 2020. Prices gained 6.4% to average €11.9/t, and on 22 March, prices hit €12.8/t. Higher carbon prices fed into the power market, with seasonal power contracts out to summer 2020 climbing 1.5% on average. Winter 18 baseload power jumped 2.0% to £51.9/MWh. On Thursday, the contract rose to its highest price since December 2014 at £52.2/MWh. In contrast, day-ahead gas and power contracts moved downwards. Week-on-week day-ahead gas dropped 20.0% to 53.6p/th, amid forecasts that temperatures will increase to levels around the seasonal norm. Withdrawals from gas storage surged higher this week, averaging 53.3mcm/d, compared to 4.8mcm/d in the previous week. Storage withdrawals were particularly strong at the start of the week, as falling temperatures led to higher than seasonal normal gas demand. Day-ahead power dropped 18.4% to £51.8/MWh, down from £63.5/MWh the previous week. The contract was pushed lower by a significant drop in its day-ahead gas counterpart. Brent crude oil prices climbed 4.3% to average \$67.8/bl and rose to a six-week high of \$69.3/bl on 22 March. API 2 coal prices slipped 2.0% to average \$74.6/t.

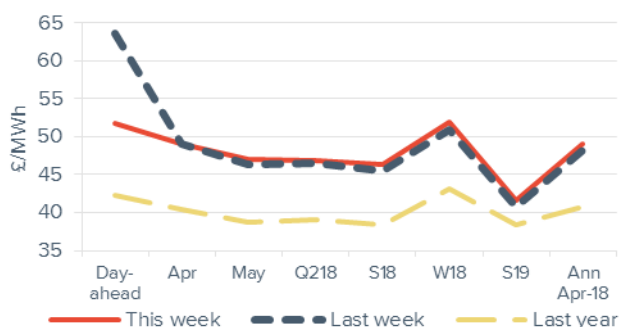
Baseload electricity

- Near-term baseload power contracts were mixed this week.
- Day-ahead power dropped 18.4% to £51.8/MWh, down from £63.5/MWh the previous week. The contract was pushed lower by a significant drop in the day-ahead gas price.
- The month-ahead (April) contract lowered 0.3% to £49.0/MWh. The contract is now 2.5% above its level a month ago (£40.4/MWh).
- The annual April 18 power contract rose 1.9% to £49.1/MWh.

Annual April contract



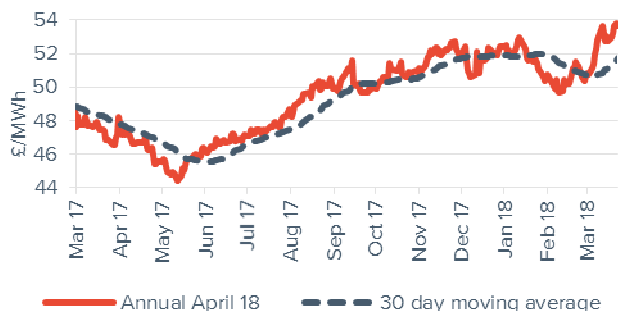
Forward curve comparison



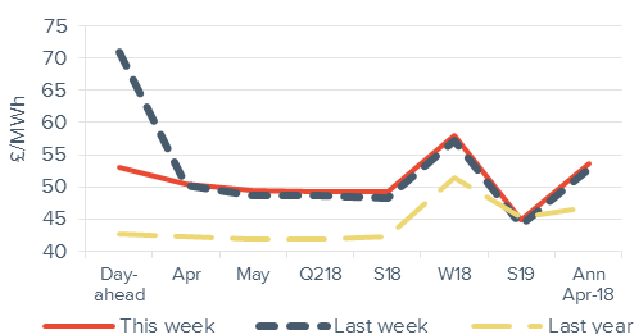
Peak electricity

- Most near-term peak power contracts increased this week.
- The only exception was day-ahead peak power which fell 25.4% to £53.0/MWh. The contract ended the week just £1.2/MWh higher than its baseload counterpart.
- The month-ahead (April) contract lifted 0.1% to £50.4/MWh. The contract finished the week £1.4/MWh higher than its baseload counterpart.
- Annual April 18 peak power climbed 1.7% to £53.6/MWh. The contract was £4.6/MWh above its baseload power counterpart.

Annual April contract



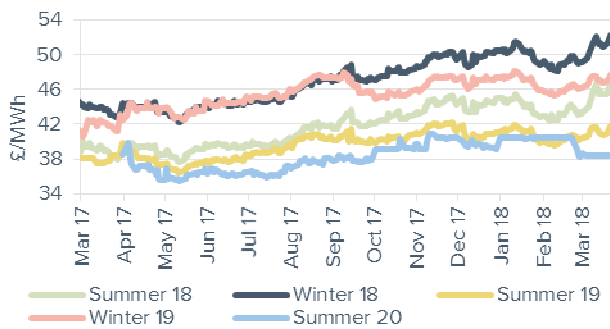
Forward curve comparison



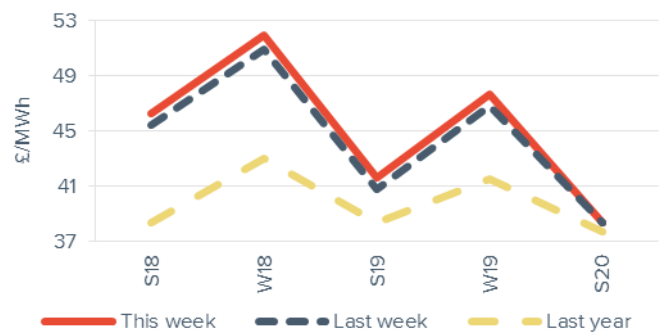


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Most seasonal baseload power prices increased this week, climbing 1.5% on average.
- Summer 18 power gained 1.9% to £46.3/MWh and the winter 18 contract jumped 2.0% to £51.9/MWh.
- Most seasonal peak power contracts increased this week.
- The summer 18 contract jumped 2.0% to £49.3/MWh. Winter 18 peak power rose 1.4% to £58.0/MWh.

Supplier hedging strategies

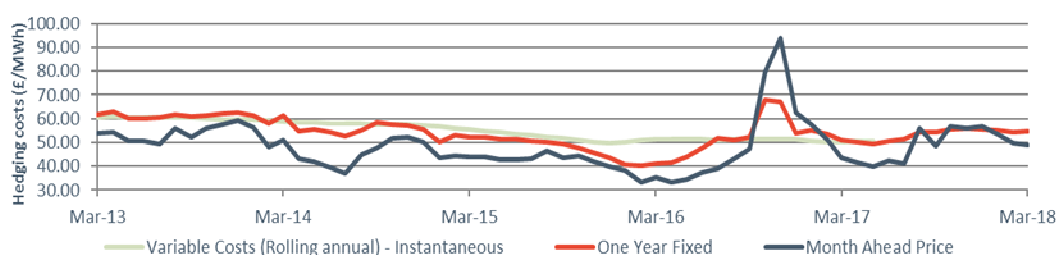
Throughout February near-term power and gas contracts experienced robust growth, as day-ahead gas reached a five-year high of 105.0p/th, while the power equivalent hit an 18-month high (£83.5/MWh). Brent crude oil and API 2 coal prices experienced losses last month, while EU ETS carbon prices reached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

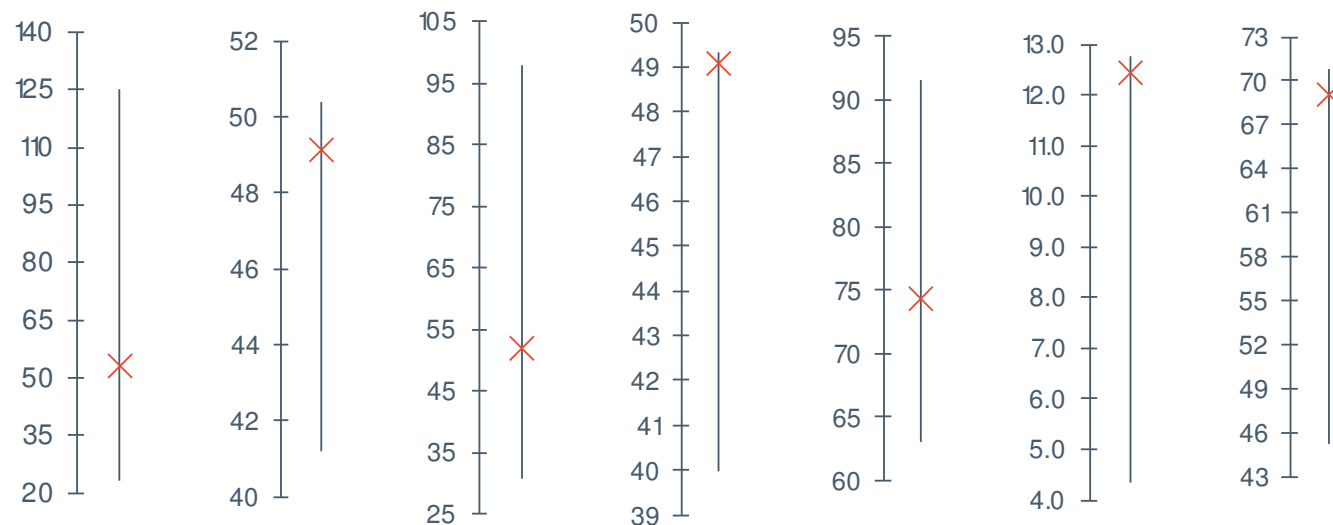




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	23 Mar 18	53.60	49.12	51.80	49.09	74.25	12.42	69.00
Last week	16 Mar 18	67.00	48.73	63.50	48.16	76.00	11.08	65.19
Four weeks ago	23 Feb 18	73.00	47.49	64.00	46.90	83.25	9.77	65.99
Last year	24 Mar 17	39.10	42.58	42.35	40.70	64.00	4.92	50.76
Year-on-year %change		37.1%	15.3%	22.3%	20.6%	16.0%	152.4%	35.9%
Year high		125.00	50.40	98.00	49.31	91.50	12.77	70.79
Year low		23.50	41.17	30.75	39.98	63.00	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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