



Energy Wholesale Market Review

Week Ending 1st June 2018



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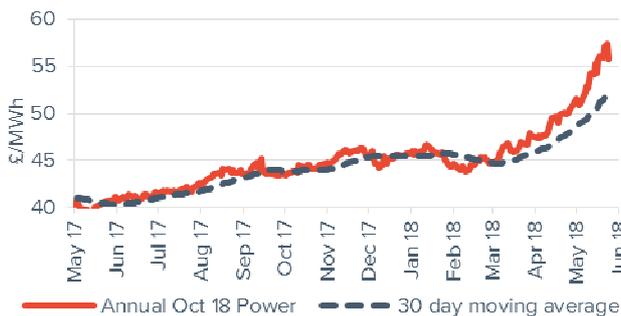
Headlines 01/06/2018

Commodity markets remained a key driver behind movements in power and gas contracts this week, with oil and carbon markets ending May with volatile behaviour on the back of heightening geopolitical tensions. After oil prices saw their first weekly loss in nearly two months last week, oil prices fluctuated throughout this week showing no clear direction as they responded to tensions between the US and OPEC nations. OPEC suggesting that it would relax production cuts to replace a potential reduction in exports from Iran and Venezuela meant that Brent crude prices averaged 2.5% below the previous week at \$76.7/bl. A report of rising US output forecasts from the EIA could result in Brent crude prices falling in June. EU ETS carbon prices set a fresh near-seven-year high of €16.6/t on 29 May, the highest since June 2011. Prices fell €1.0/t within-day on 31 May due to the heavy selling of allowances by market participants following President Trump's decision to impose steel and aluminium tariffs. Day-ahead gas rose 1.6% week-on-week to 58.0p/th. The week started with falling prices despite planned outages and forecasts of rising gas demand for power generation as wind output dropped. The system was undersupplied towards the end of this week leading to prices recovering earlier losses. Day-ahead power mirrored its gas counterpart upwards, rising 0.5% to £56.3/MWh week-on-week. Month-ahead power (July 18) also increased, gaining 1.4% week-on-week to £56.4/MWh.

Baseload electricity

- All near-term baseload power contracts rose this week.
- Day-ahead power increased 0.5% to £56.3/MWh, up from £56.0/MWh last week.
- Day-ahead power was supported by periods of lower wind output.
- The annual October 18 power contract declined 1.6% to £54.9/MWh (down from £55.8/MWh).
- This is an increase of £3.8/MWh (7.5%) from the same period last month, and an increase of 34.9% from last year when it was £40.7/MWh.

Annual October contract



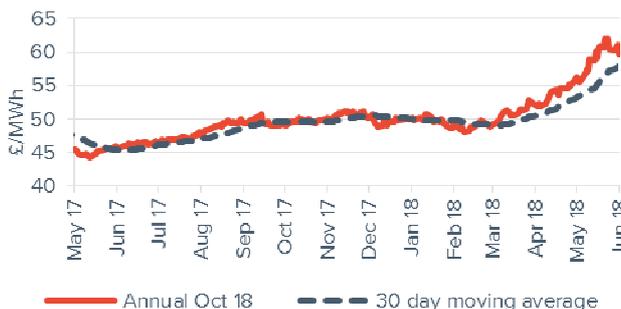
Forward curve comparison



Peak electricity

- Day-ahead peak power boosted 2.1% to £60.3/MWh. This is £4.0/MWh higher than its baseload counterpart.
- Month-ahead peak power went up 0.8% to £60.2/MWh. This was £3.8/MWh above its baseload counterpart.
- Annual October 18 peak power reduced 1.2% to £59.7/MWh. The contract was £2.8/MWh above its baseload power counterpart.
- The contract was 7.3% above its price last month (£55.6/MWh), and 30.9% higher than its value last year (£45.6/MWh).

Annual April contract



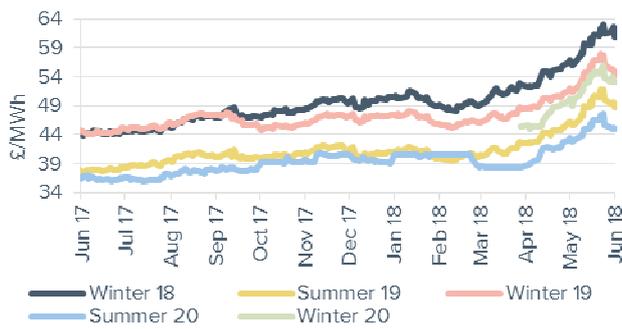
Forward curve comparison



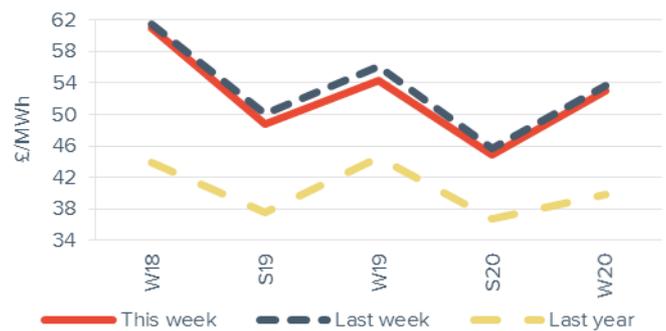


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal baseload power prices declined this week, falling on average by 1.9%.
- Winter 18 fell 0.9% to £61.0/MWh, down from £61.5/MWh last week.
- Summer 19 dropped 2.4% to £48.8/MWh and winter 19 power lost 3.2% to £54.3/MWh.
- Bearish movement continued to occur across all seasonal peak power contracts this week, with contracts dropping 1.7% on average.
- Winter 18 lost 0.4% to £67.3/MWh and summer 19 dropped 2.2% to £52.2/MWh (down from £53.4/MWh).

Supplier hedging strategies

A number of power contracts reached multi-year highs throughout April, supported by a bullish commodity market which posted fresh oil and carbon highs. Seasonal gas contracts gained 4.7% on average, contracts out to winter 2020 reached record highs spanning one to three years, continuing to be supported by higher oil and coal prices. All seasonal baseload power contracts rose, increasing on average by 6.3%. Brent crude oil prices grew 7.7% to average \$71.6/bl during April, up from \$66.5/bl the previous month. Prices hit a three-and-a-half year high on 23 April at \$75.4/t. EU ETS carbon prices continued with bullish momentum, increasing 15.9% to average €13.35/t. On 19 April prices reached their highest fresh seven-year-highs at €14.2/t.

In April, 20 suppliers showed notable changes in tariffs. All but five of the price movements were increases. The largest reduction was the Powershop as it launched its Top Shopper variable tariff priced at £801/year on average. The largest price increase was seen from British Gas after it withdrew its online fixed tariff. The supplier also removed its standard variable tariff to new customers.

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.

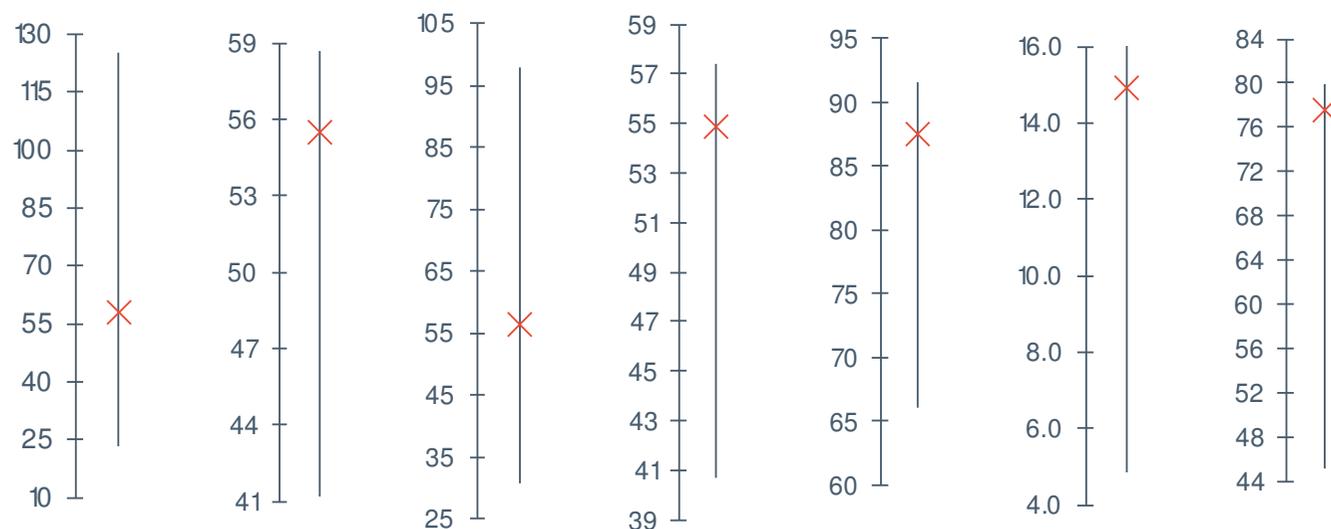




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	1 Jun 18	58.00	55.50	56.30	54.88	87.50	14.89	77.61
Two weeks ago	25 May 18	57.10	56.59	56.00	55.76	86.50	15.90	77.33
Four weeks ago	4 May 18	51.75	51.22	51.60	51.05	83.50	12.92	73.46
Last year	2 Jun 17	36.70	42.34	38.75	40.70	67.00	5.11	49.12
Year-on-year %change		58.0%	31.1%	45.3%	34.9%	30.6%	191.4%	58.0%
Year high		125.00	58.64	98.00	57.38	9150	16.14	79.83
Year low		23.50	41.18	30.75	40.70	66.00	4.84	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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