



Energy Wholesale Market Review

Week Ending 8th June 2018



edw technology

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



Contents

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

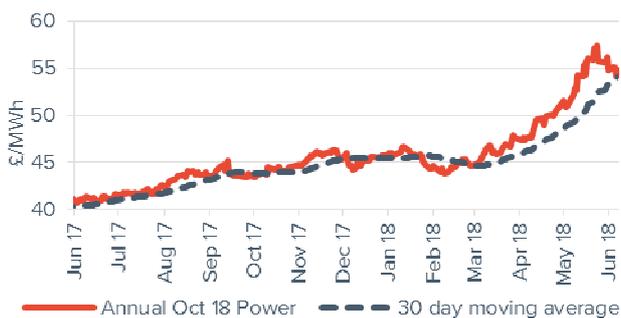


Headlines 08/06/2018

Day-ahead gas prices dropped 0.7% week-on-week to 57.6p/th. The week started with rising prices as the system was undersupplied with lower wind output leading to an increase in gas demand for electricity generation. Despite rising demand forecasts through to Thursday, prices dropped as temperatures rose towards the end of the week causing lower demand than expected. Day-ahead power prices closely followed its gas counterpart down, falling 0.2% to £56.2/MWh week-on-week. Month-ahead power (July 18) also fell, down 3.5% week-on-week to £54.5/MWh. Winter 18 gas was the only seasonal gas contract to drop this week, falling 1.8% to 62.5p/th. The decrease in price came as European gas stocks have been refilled at record levels and amid a fall in oil prices. Winter 18 power followed its gas counterpart, lowering 1.1% to £60.3/MWh. Oil prices have continued to fluctuate in response to ongoing geopolitical tensions between the US and OPEC nations, including Venezuela and Iran. Week-on-week Brent crude oil prices have fallen by 0.8% to \$77.0/bl, with an increase in US crude oil well production being a key driver. EU ETS carbon prices rose 6.6% week-on-week to €15.9/t. Prices hit a fresh seven-year high on 5 June at €16.7/t and are currently more than triple their level this time last year. Carbon prices have risen amid a reduction in the number of surplus carbon allowances in the market and the upcoming implementation of the 2019 Market Stability Reserve which could see the availability of EUAs cut.

- All near-term baseload power contracts fell this week.
- Day-ahead power dropped 0.2% to £56.2/MWh, down from £56.3/MWh last week.
- Day-ahead power mirrored its gas counterpart down despite lower renewables generation early in the week.
- The annual October 18 power contract declined 0.2% to £54.8/MWh (down from £54.9/MWh).
- This is an increase of £0.5/MWh (0.9%) from the same period last month, and an increase of 32.5% from last year when it was £41.4/MWh.

Annual October contract



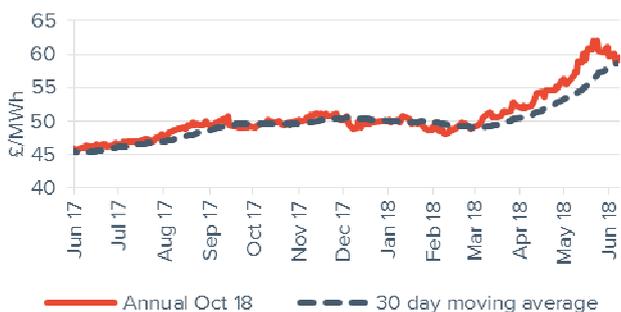
Forward curve comparison



Peak electricity

- Day-ahead peak power went up 0.4% to £60.5/MWh. This is £4.3/MWh higher than its baseload counterpart.
- Month-ahead peak power went down 2.4% to £58.8/MWh. This was £4.3/MWh above its baseload counterpart.
- Annual October 18 peak power reduced 0.3% to £59.6/MWh. The contract was £4.8/MWh above its baseload power counterpart.
- The contract was 1.2% above its price last month (£58.9/MWh), and 28.5% higher than its value last year (£46.4/MWh).

Annual April contract



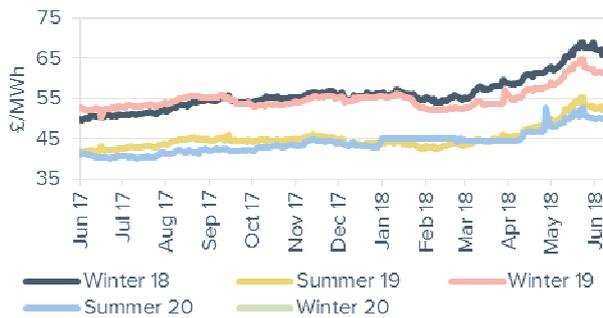
Forward curve comparison



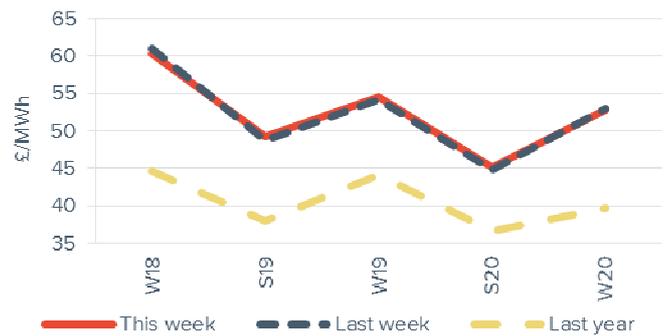


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Most seasonal baseload power prices increased this week, but on average only rose by 0.1%.
- Winter 18 and winter 20 fell 1.1% and 0.6% to £60.3/MWh and £52.8/MWh respectively.
- However, winter 18 power is up 1.1% from the previous month when it was £59.7/MWh.
- Seasonal peak power contracts rose 0.2% on average this week.
- Winter 18 was the exception, falling 1.3% to £66.4/MWh.
- Summer 19 saw the biggest change, rising 1.1% to £52.8/MWh (up from £52.2/MWh).

Supplier hedging strategies

Bullish commodity markets continued to fuel growth in power and gas contracts during May, primarily underpinned by a tightening oil market. On average seasonal power contracts from winter 18 to winter 20 grew 10.6% across May, with contracts for winter 18 and summer 19 up 10.2% and 11.0% to average £59.8/MWh and £48.9/MWh respectively. Brent crude oil prices leapt 7.5% to average \$77.0/bl during May. Prices have fluctuated in response to changing geopolitical tensions, with intraday prices reaching a high of \$80.1/bl on 17 May, before settling at a fresh three-and-a-half year high of \$79.8/bl on the day. API 2 coal prices rose 7.9% to average \$87.3/t, tracking gains in oil prices throughout the month. EU ETS carbon prices gained 10.5% to average €14.7/t, hitting €16.1/t on 24 May.

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. (May tariff changes will be updated in next week's report).

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.

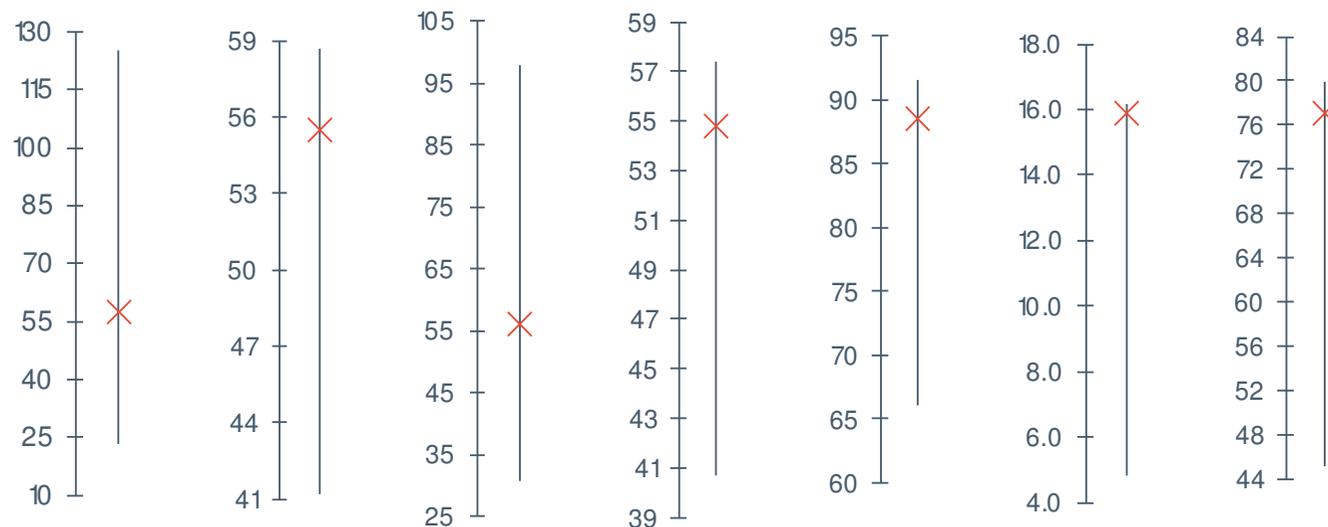




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	8 Jun 18	57.60	55.48	56.20	54.78	88.50	15.88	76.99
Two weeks ago	1 Jun 18	58.00	55.50	56.30	54.88	87.50	14.89	77.61
Four weeks ago	11 May 18	55.00	54.80	54.25	54.28	87.50	14.63	77.46
Last year	9 Jun 17	37.50	43.11	36.00	41.35	68.50	5.01	47.95
Year-on-year %change		53.6%	28.7%	56.1%	32.5%	29.2%	217.0%	60.6%
Year high		125.00	58.64	98.00	57.38	91.50	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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com

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