



# Energy Wholesale Market Review

Week Ending 15<sup>th</sup> June 2018



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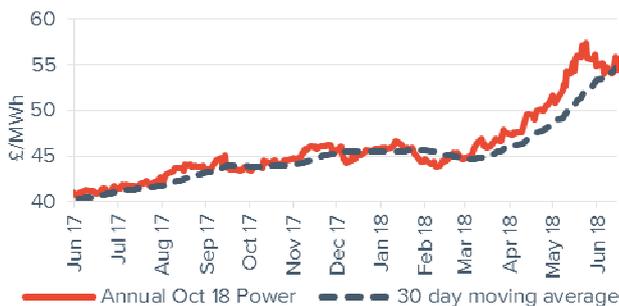


## Headlines 15/06/2018

Gas and power contracts showed mixed movements this week. Near-term prices fell, driven by forecasts of high wind generation, an oversupplied gas system, and a decline in commodity prices. Day-ahead gas dropped 3.2% to 55.8p/th, caused by lower demand and a planned IUK outage which is acting to decrease gas export capacity and lifting available supplies. Day-ahead power closely followed gas prices down, falling 4.4% to £53.8/MWh. In addition, high levels of renewables output depressed spot power prices towards the end of the week, even leading to negative system prices on the Balancing Mechanism. The majority of seasonal gas contracts rose this week, with summer 19 gas the exception, falling 0.2% to 48.4p/th. Nearly all seasonal power contracts declined this week. Winter 18 power was the exception, rising 0.2% to £60.5/MWh. Oil prices have begun to stabilise after recent volatility. Week-on-week Brent crude oil prices have fallen by 2.2% to \$75.3/bl, amid expectations that Saudi Arabia and Russia will ease the current supply restrictions at an OPEC meeting on 22 June. EU ETS carbon prices fell 2.8% to average €15.3/t this week, owing to reduced spreads for coal-fired output in Germany. In addition, a provisional agreement from EU lawmakers could see the renewable energy target increased from 27% to 32% for 2030, which could depress prices in the future.

- All near-term baseload power contracts fell this week.
- Day-ahead power dropped 4.4% to £53.8/MWh, down from £56.2/MWh this week.
- Day-ahead power was influenced by rising renewables generation.
- The annual October 18 power contract dropped 0.5% to £54.5/MWh (down from £54.8/MWh).
- This is £1.5/MWh (2.6%) lower than the same period last month, and an increase of 33.4% from last year when it was £40.9/MWh.

Annual October contract



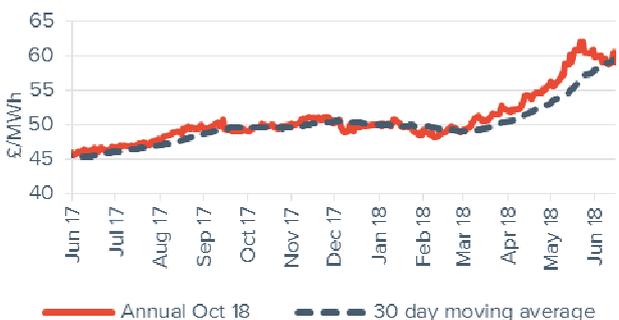
Forward curve comparison



## Peak electricity

- Day-ahead peak power lost 6.2% to £56.8/MWh. This is £3.0MWh higher than its baseload counterpart.
- Month-ahead peak power went down 0.6% to £58.4/MWh. This was £4.5/MWh above its baseload counterpart.
- Annual October 18 peak power reduced 0.8% to £59.1/MWh. The contract was £4.6/MWh above its baseload power counterpart.
- The contract was 2.9% below its price last month (£60.9/MWh), and 26.8% higher than its value last year (£46.6/MWh).

Annual April contract



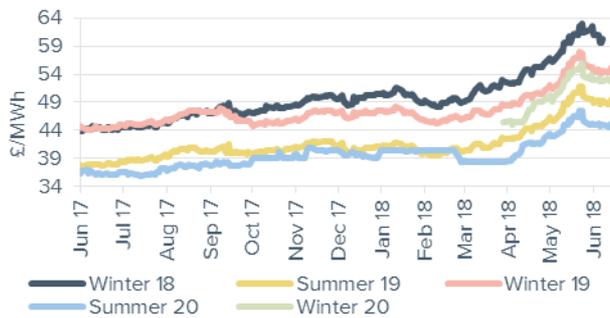
Forward curve comparison



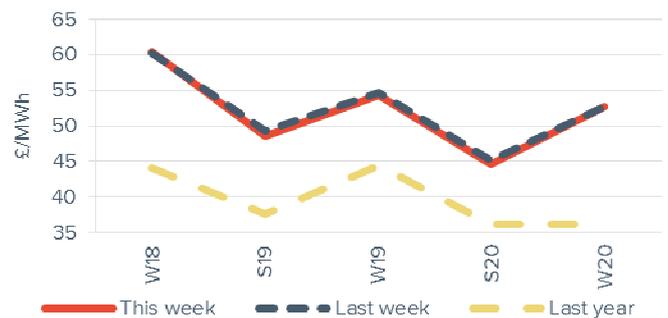


## Seasonal power prices

### Seasonal baseload power contracts



### Seasonal baseload power curve



- Nearly all seasonal baseload power prices decreased this week, falling on average by 0.5%.
- Winter 18 was the exception, rising 0.2% to £60.5/MWh. Winter 18 power is down 1.3% from the previous month when it was £61.3/MWh.
- Summer 19 dropped 1.3% to £48.6/MWh and winter 19 power fell 0.4% to £54.4/MWh.
- All seasonal peak power contracts showed bearish movement this week, with contracts falling 0.7% on average.
- Winter 18 experienced the least change, remaining at £66.4/MWh. Summer 19 saw the biggest change, rising 1.7% to £51.9/MWh (down from £52.8/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.

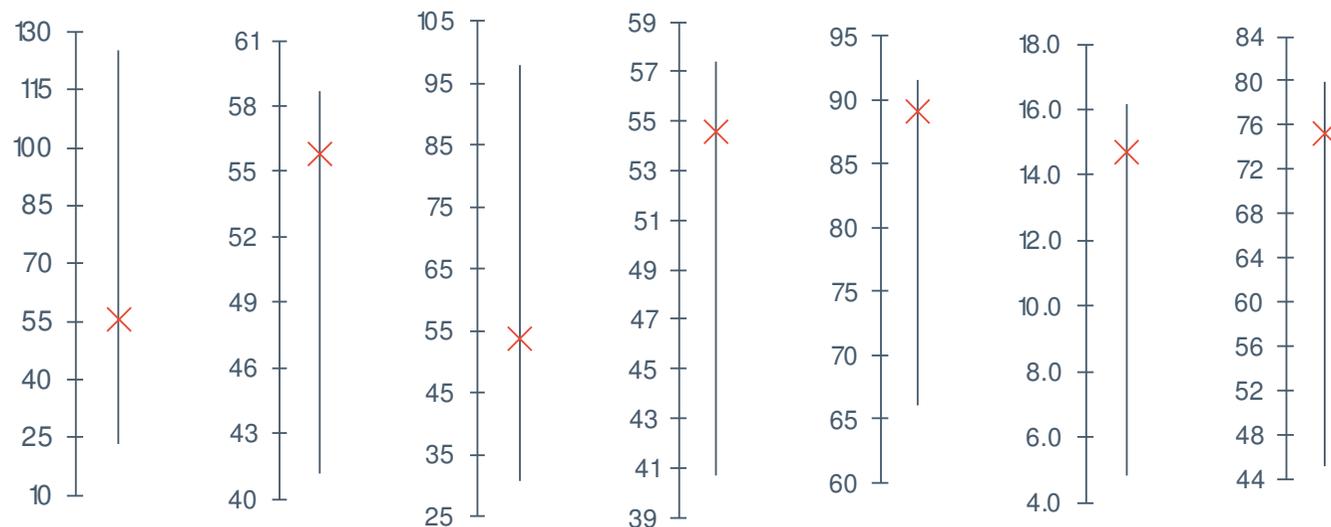




## Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	15 Jun 18	55.75	55.78	53.75	54.53	89.05	14.70	75.28
Two weeks ago	8 Jun 18	57.60	55.48	56.20	54.78	88.50	15.88	76.99
Four weeks ago	18 May 18	57.30	57.28	54.70	56.01	89.90	15.12	79.68
Last year	16 Jun 17	29.25	42.30	36.50	40.88	68.40	4.94	47.28
Year-on-year %change		90.6%	31.9%	47.3%	33.4%	30.2%	197.6%	59.2%
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.

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