



Energy Wholesale Market Review

Week Ending 22nd June 2018



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Contents

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

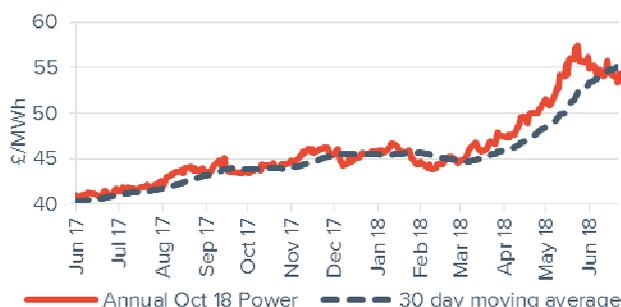


Headlines 22/06/2018

Near-term gas and power prices fell for the second week, continuing to be driven by forecasts of high wind generation, an oversupplied gas system, and a decline in Brent crude oil and EU ETS carbon prices. Day-ahead gas prices dropped 4.6% to 53.2p/th as an ongoing outage at the IUK and lower demand left the gas system oversupplied all week. Day-ahead power fell 0.5% to £53.5/MWh, following its gas counterpart, with high levels of renewables output further depressing spot prices towards the end of the week. Month-ahead power (July 18) also fell, down 1.9% week-on-week to £52.9/MWh. All seasonal gas contracts declined this week, falling 0.3% on average. Winter 18 gas saw the largest change, down 1.1% to 62.4p/th amid increased supply security as gas storage injections pushed UK storage capacity to 40% full. The majority of seasonal power contracts went down this week, with summer 19 and winter 19 power being exceptions, both rising 0.1% to £48.7/MWh and 54.5/MWh respectively. Oil prices fluctuated throughout this week in the run up to OPEC's meeting in Vienna on 22 June to discuss current production cuts. The outcome of the meeting was an agreement to raise production by 1mn bpd. Brent crude prices fell 1.7% week-on-week to \$74.0/bl. EU ETS carbon prices averaged €14.7/t this week, 3.7% below the previous week's average. EUA prices hit a one-month low in the middle of the week at €14.5/t.

- All near-term baseload power contracts fell this week.
- Day-ahead power dropped 0.5% to £53.5/MWh, down from £53.8/MWh the previous week.
- Day-ahead power was influenced by rising renewables generation, which saw wind output rising to 18% of the generation mix across the week.
- The annual October 18 power contract continued to decline, dropping 0.3% to £54.3/MWh (down from £54.5/MWh).
- This is £1.4/MWh (2.5%) lower than the same period last month, and an increase of 32.3% from last year when it was £41.1/MWh.

Annual October contract



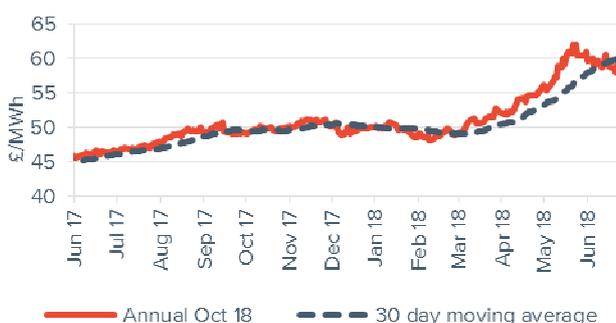
Forward curve comparison



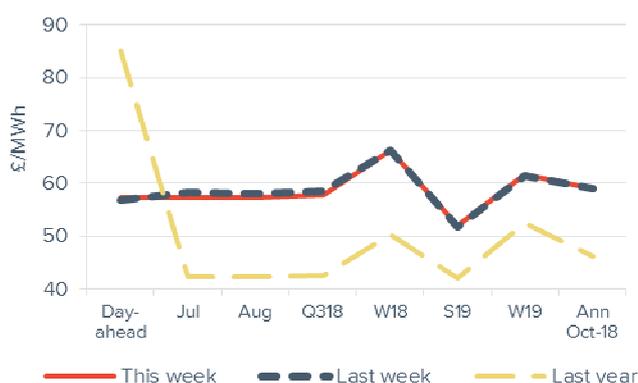
Peak electricity

- Day-ahead peak power increased 1.1% to £57.4/MWh. This is £3.9MWh above its baseload counterpart.
- Month-ahead peak power went down 1.7% to £57.4/MWh. This was £4.5/MWh above its baseload counterpart.
- Annual October 18 peak power reduced 0.1% to £59.1/MWh. The contract was £4.8/MWh above its baseload power counterpart.
- The contract was 2.3% below its price last month (£60.5/MWh), but 27.7% higher than its value last year (£46.2/MWh).

Annual April contract



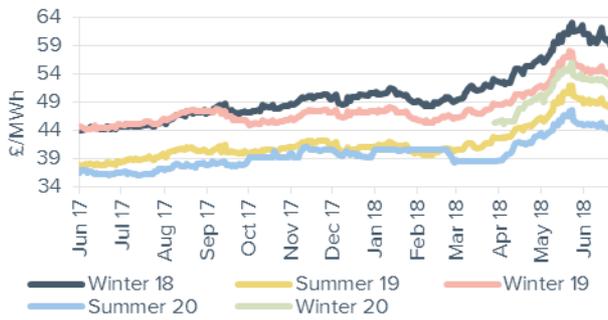
Forward curve comparison



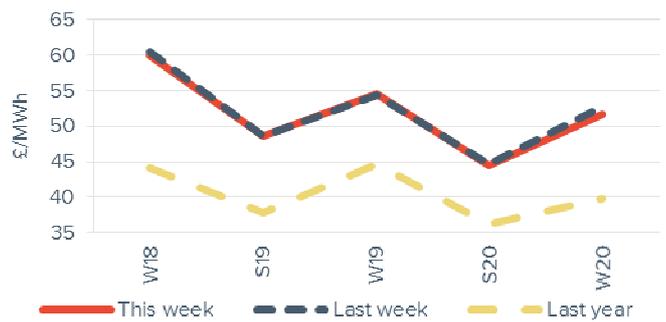


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- Nearly all seasonal baseload power prices decreased last week, falling on average by 0.5%.
- Winter 18 lost 0.7% to £60.0/MWh. Prices rose at the start of last week but later lowered as gas storage injection increased amid the IUK outage, providing a securer supply outlook for this winter.
- Seasonal peak power contracts experienced mixed movements last week, with contracts down 0.3% on average.
- Winter 18 and summer 20 lowered 0.3% and 1.4% respectively to £66.2/MWh and £49.0/MWh respectively.

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 May, 23 suppliers changed their price banding. All but six of the movements were price increases. The largest price increase was recorded from Simplicity Energy, which appeared to retract its direct fixed tariff from the market and offer it exclusively through Energyhelpline. The largest price reduction was from GnERGY which launched a new fixed tariff priced at £1,014/year on average.

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.

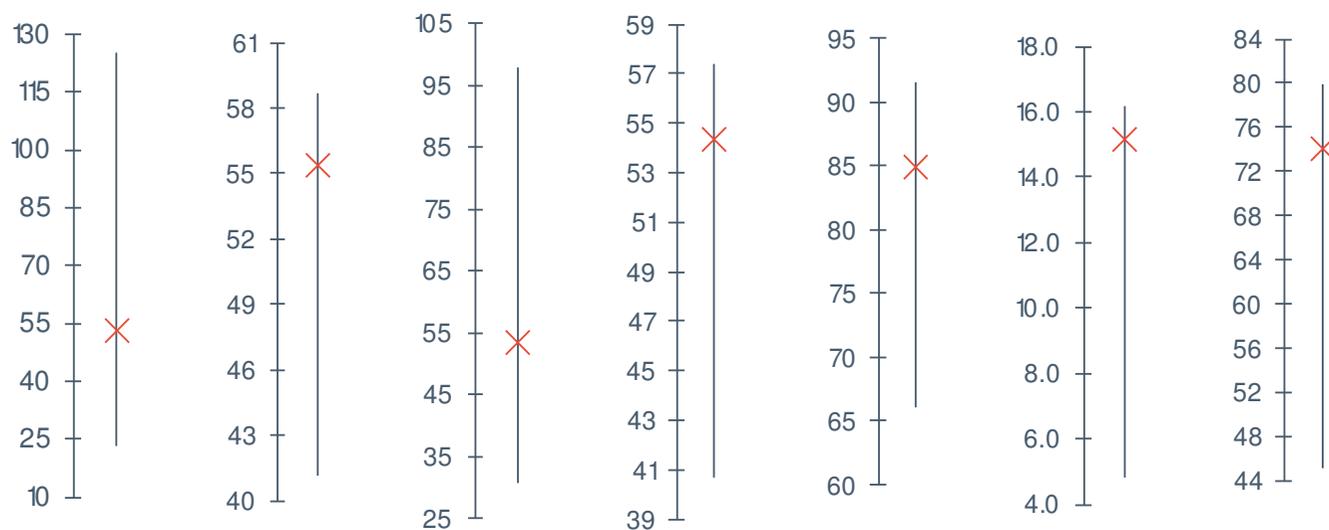




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
Last week	22 Jun 18	53.20	55.36	53.50	54.34	84.90	15.13	74.00
Two weeks ago	15 Jun 18	55.75	55.78	53.75	54.53	89.05	14.70	75.28
Four weeks ago	25 May 18	57.10	56.59	56.00	55.76	86.50	15.90	77.33
Last year	23 Jun 17	35.60	42.19	64.75	41.06	68.85	4.91	45.32
Year-on-year %change		49.4%	31.2%	-17.4%	32.3%	23.3%	208.1%	63.3%
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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