



Energy Wholesale Market Review

Week Ending 29th 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

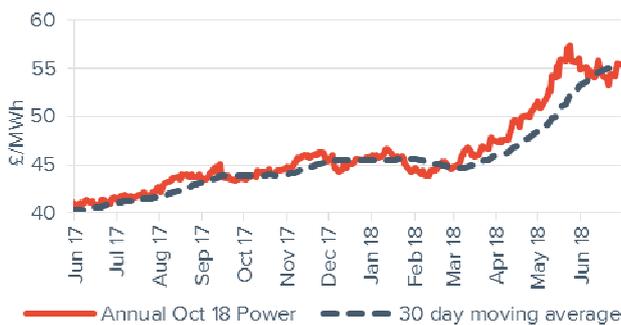


Headlines 29/06/2018

Day-ahead gas prices boosted 0.4% to 53.4p/th with higher national system demand amid soaring temperatures, and as gas for power demand increased due to a fall in wind output. Day-ahead power prices continued to fall, down 2.5% to £52.2/MWh. Although wind output plummeted last week, down to 5% of the generation mix from 18% the previous week, solar PV has set new records, generating 533GWh between 21-27 June. All seasonal gas and power contracts increased this week. Seasonal gas contracts leapt 3.6% on average, with winter 18 gas experiencing the least change, up 2.3% to 63.9p/th. Seasonal power contracts went up 2.3% on average. Oil prices rose throughout the week. Supply disruptions have occurred at Canada's Syncrude oil production facility, taking 350,000 bpd offline, with expectations for the closure to remain throughout July. The upcoming sanctions placed on Iran by the US, coupled with the US-China trade war, is creating uncertainty for demand, with major economies unsure of future economic growth amid worries of high tariffs on exports. API 2 coal has continued to fall from recent highs, dropping 1.0% to \$86.7/t. The ongoing US-China trade dispute is creating uncertainty for US coal-miners, delaying supply contracts after the commodity was added to the list of over 650 items facing increased tariffs from China.

- Most near-term baseload power contracts rose.
- Day-ahead power was the exception, dropping 2.5% to £52.2/MWh, down from £53.5/MWh the last week, dropping amid high levels of solar output.
- Month-ahead power lifted 0.4% to £53.1/MWh, as the hot and dry weather is forecast to last into July, reducing wind output.
- The annual October 18 power contract reversed recent losses, gaining 2.1% to £55.5/MWh (up from £54.3/MWh).
- This is £0.6/MWh (1.1%) higher than the same period last month, and an increase of 33.8% from last year when it was £41.5/MWh.

Annual October contract



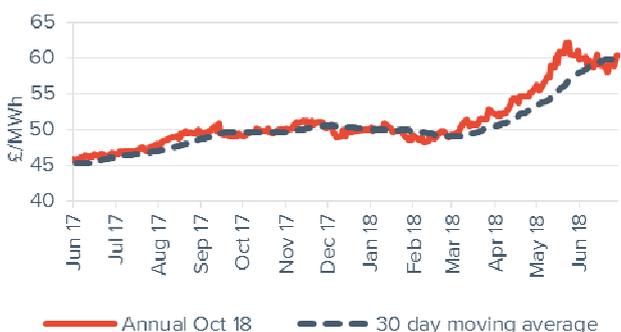
Forward curve comparison



Peak electricity

- Day-ahead peak power fell 1.0% to £56.8/MWh. This is £4.6MWh above its baseload counterpart.
- Month-ahead peak power lifted 0.4% to £57.6/MWh, continuing to remain £4.5/MWh above its baseload counterpart.
- Annual October 18 peak power gained 2.5% to £60.3/MWh. The contract continues to remain £4.8/MWh above its baseload power counterpart.
- The contract was 1.0% above its price last month (£59.7/MWh) and 29.5% higher than its value last year (£46.6/MWh).

Annual October contract



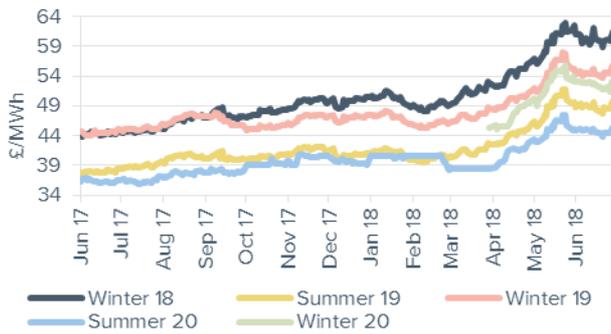
Forward curve comparison



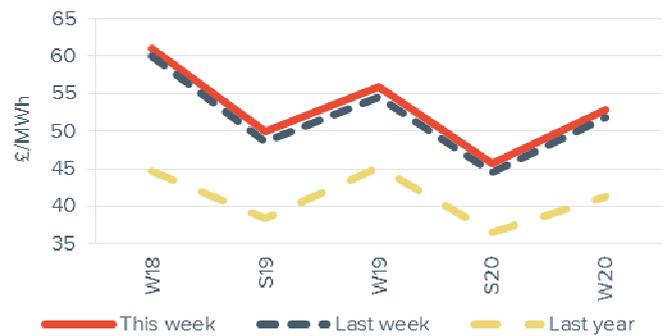


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve



- All seasonal baseload power prices increased this week, rising on average by 2.3%.
- Winter 18 gained 1.7% to £61.1/MWh, following its gas counterpart up. Summer and winter 19 both gained 2.5% to £49.9/MWh and £55.9/MWh respectively.
- All seasonal peak power contracts experienced bullish growth last week, with contracts up 2.5% on average.
- Winter 18 and summer 19 increased 1.7% and 2.7% to £67.3/MWh and £53.3/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.

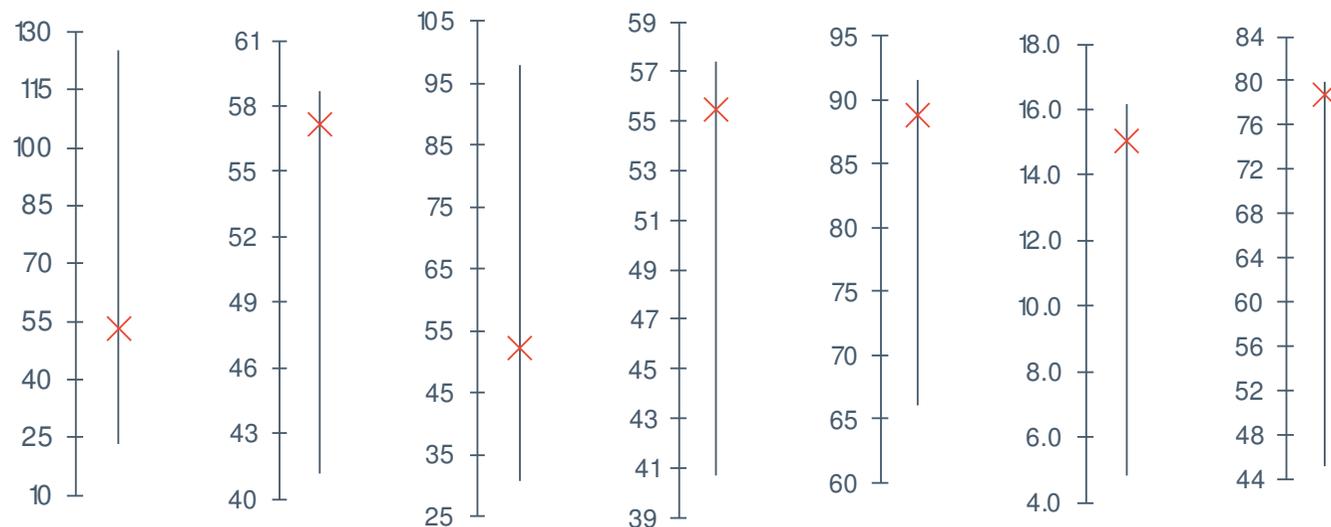




Wholesale price snapshot

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	29 Jun 18	53.40	57.12	52.15	55.48	88.75	15.01	78.73
Last weeks ago	22 Jun 18	53.20	55.36	53.50	54.34	84.90	15.13	74.00
Four weeks ago	1 Jun 18	58.00	55.50	56.30	54.88	87.50	14.89	77.61
Last year	30 Jun 17	36.00	42.44	43.50	41.47	69.80	4.95	47.66
Year-on-year %change		48.3%	34.6%	19.9%	33.8%	27.1%	203.2%	65.2%
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.

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

Copyright © 2018 EDW Technology Limited. All rights reserved.

No part of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or translated into any language, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission from EDW Technology Limited.

All copyright, confidential information, patents, design rights and all other intellectual property rights of whatsoever nature contained herein are and shall remain the sole and exclusive property of EDW Technology Limited. The information furnished herein is believed to be accurate and reliable. However, no responsibility is assumed by EDW Technology Limited for its use, or for any infringements of patents or other rights of third parties resulting from its use.