

Energy Wholesale Market Review

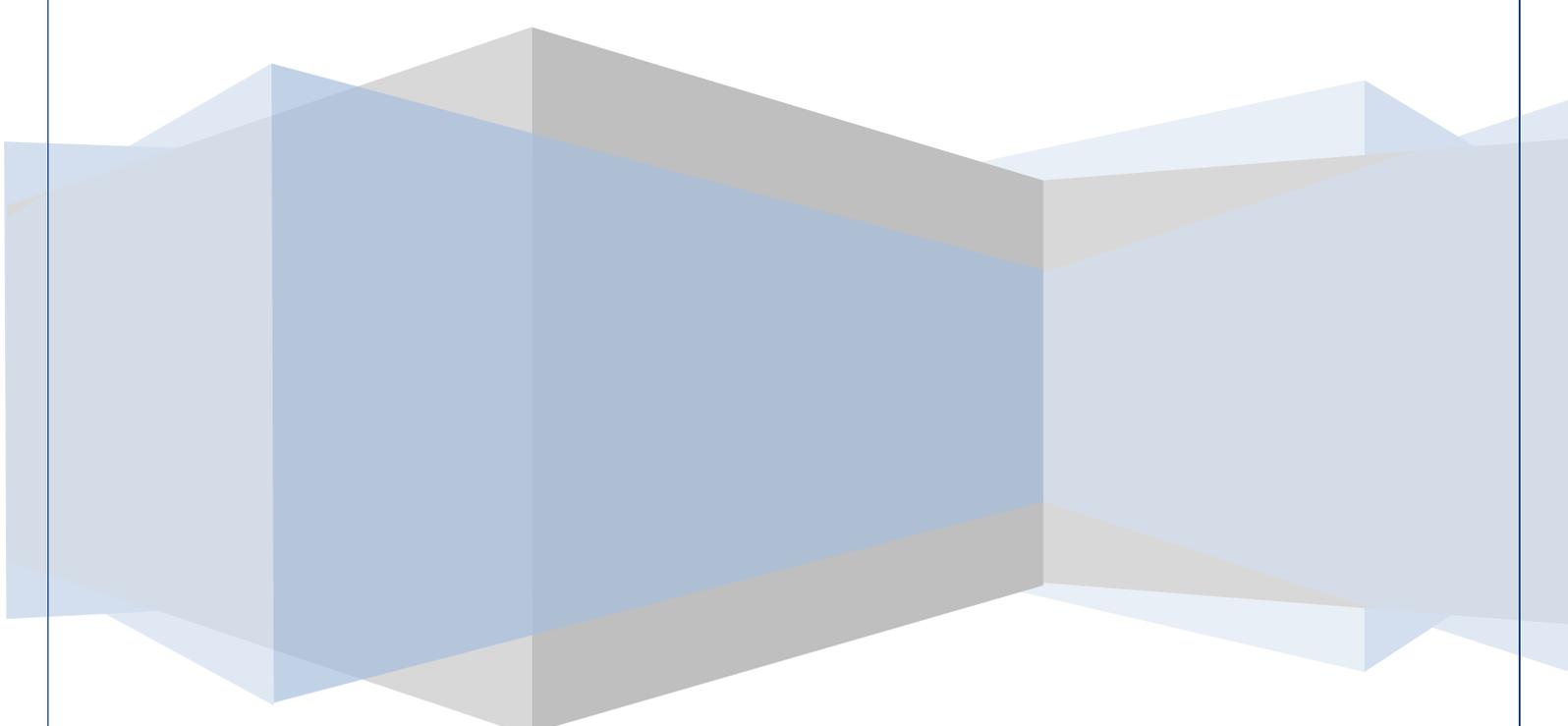
Week Ending 3rd August 2018



edw technology

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

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





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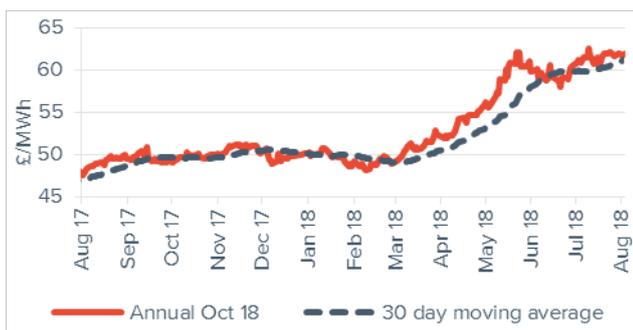
Headlines 03/08/2018

The majority of gas and power contracts rose this week, as EU ETS carbon continued with bullish momentum to hit a fresh seven-year high. EU ETS carbon prices reached €17.8/t on 1 August, continuing to be supported by higher power demand across Europe this summer amid ongoing heatwaves sweeping the continent. Day-ahead gas prices gained 1.9% to 58.7p/th. This was despite demand for gas dropping 8.1% from last week and the gas system being largely oversupplied. Prices have been influenced by bullish EU ETS carbon prices. Day-ahead power began the week down due to rising levels of wind output. Prices ended the week up 6.3% at £59.7/MWh, with wind forecasted below 2.0GW at the start of next week. Nearly all seasonal gas and power contracts increased this week. Seasonal gas contracts gained 0.8% on average. Winter 18 gas was the exception, down 0.6% to 63.6p/th. Seasonal power contracts went up 0.7% on average. Brent crude oil slipped 0.2% to average \$73.8/bl, down from \$74.0/bl the previous week. Oil prices rose early in the week as Saudi Arabia suspended shipments through the Red Sea's Bab al-Mandeb strait following attacks on ships from members of the Houthis movement, but fell following the announcement of an increase in US crude stocks. API 2 coal slipped 0.7% to average \$86.1/t this week, despite strong demand from Asia as the heatwave continued across the region and increased power demand for cooling.

Baseload electricity

- Day-ahead power rose 6.3% week-on-week to £59.7/MWh on 3 August.
- Day-ahead power prices are currently at their highest since 16 March 2018.
- Month-ahead power remained at £59.0/MWh, and October 18 power gained 0.1% to £59.0/MWh.
- The annual October 18 power contract gained 0.5% to £56.9/MWh (up from £56.6/MWh).
- This is £0.3MWh (0.5%) higher than the same period last month, and an increase of 32.4% from last year when it was £43.0/MWh.

Annual October contract



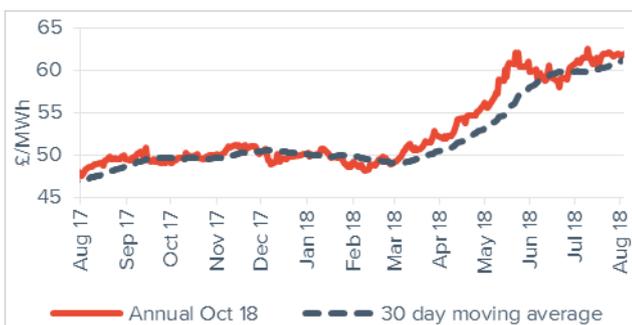
Forward curve comparison



Peak electricity

- Day-ahead peak power surged 8.7% to £65.3/MWh.
- This is £5.6/MWh above its baseload counterpart and a £1.7/MWh increase to the spread between the two.
- Peak power is currently at its highest since 16 March.
- Month-ahead peak power gained 0.4% to £62.8/MWh, £3.8/MWh above its baseload counterpart.
- Annual October 18 peak power grew 0.6% to £62.0/MWh. The contract is £5.1/MWh above its baseload power counterpart, a £0.2/MWh increase to the spread from the previous week.
- The contract was 0.9% above its price last month (£61.4/MWh).

Annual October contract



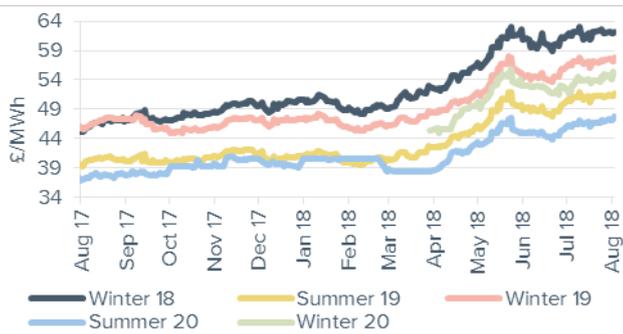
Forward curve comparison



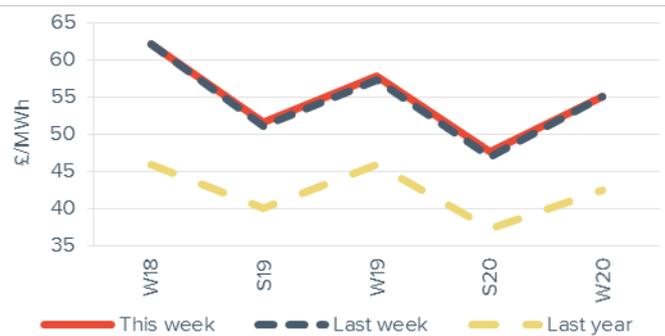


Seasonal power prices

Seasonal baseload power contracts



Seasonal baseload power curve

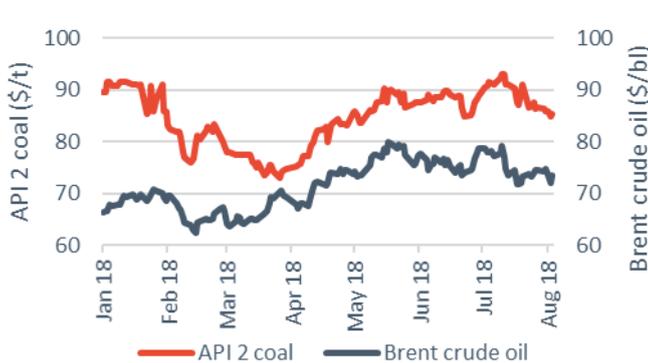


- Nearly all seasonal baseload power prices grew this week, up 0.7% on average. Winter 20 was the exception remaining unchanged at £55.0/MWh.
- Winter 18 increased 0.1% to £62.1/MWh. Summer and winter 19 gained 1.0% and 0.9% to £51.6/MWh and £57.8/MWh respectively.

- All seasonal peak power contracts increased this week, with contracts up 0.9% on average, supported by bullish gas and carbon prices.
- Winter 18 and summer 19 gained 0.2% and 2.0% to £68.3/MWh and £55.6/MWh respectively.

Commodity price movements

Oil and coal



- Brent crude oil slipped 0.2% to average \$73.8/bl, down from \$74.0/bl the previous week.
- Oil prices started the week up at \$74.3/bl as Saudi Arabia suspended shipments through the Red Sea's Bab al-Mandeb strait due to attacks on ships from members of the Houthis movement.
- Prices fell towards the end of the week, dropping below \$72.0/bl after the EIA announced US crude stocks had risen the previous week by 5.6mn bl.
- API 2 coal slipped 0.7% to average \$86.1/t last week, despite continued strong demand from Asia.

Carbon



- EU ETS carbon prices increased 0.6% to average €17.3/t last week, up from €17.2/t the previous week.
- EUA prices peaked at €17.8/t on 1 August, a fresh seven-year high.
- The recent bullish momentum has led to analysts reforecasting EUA prices higher according to a recent survey by Reuters. The survey of 8 analysts expects EU ETS carbon prices to average €18.6/t for 2019 and €20.8/t in 2020. Analysts from Berenberg bank have also raised their forecasts, rising to €25.0/t for 2019 and €30/t for 2020.

Supplier tariff movements

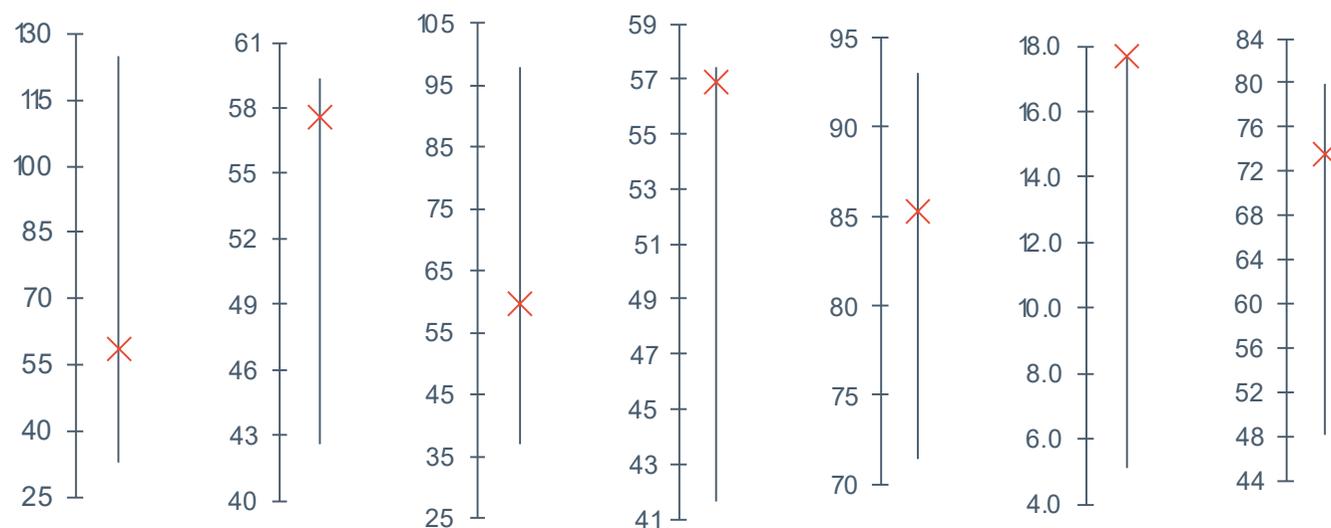
In June, 23 suppliers changed their price banding, with a slight majority of the changes being price increases. The largest price increase was recorded from Economy Energy, which retracted its Switch Saver variable tariff priced at £810/year in average to leave just one variable tariff available for credit customers, priced at £1,205/year on average. The largest price decrease came from Scottish Power as it launched its Super Saver tariff priced at £999/year on average.



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	3 Aug 18	58.65	57.59	59.65	56.86	85.25	17.67	73.60
Two weeks ago	27 Jul 18	57.55	57.62	56.10	56.58	86.60	17.05	74.40
Four weeks ago	6 Jul 18	57.75	58.45	56.85	56.60	9100	15.63	77.14
Last year	4 Aug 17	39.25	43.84	42.00	42.95	74.75	5.36	51.65
Year-on-year % change		49.4%	31.4%	42.0%	32.4%	14.0%	229.7%	42.5%
Year high		125.00	59.39	98.00	57.46	93.10	17.67	79.83
Year low		33.00	42.56	37.10	41.63	71.40	5.10	48.18

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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