

Energy Wholesale Market Review

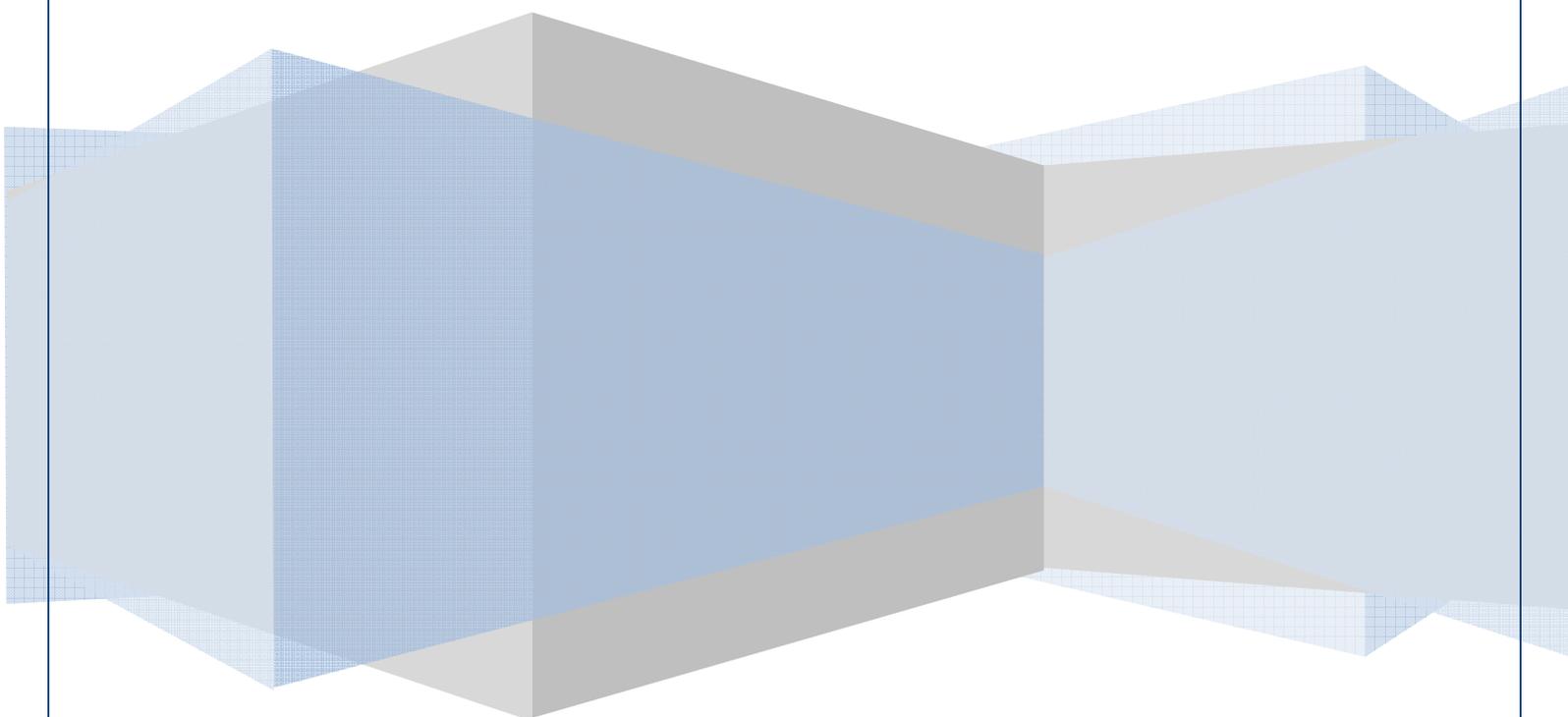
Week Ending 12th October 2018



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Headlines 12/10/2018

All commodities fell this week, with coal and oil ending multi-week climbs. Pressure from curtailing commodity prices, coupled with an increase in wind output and warmer temperatures, cause wholesale power and gas contracts to retreat, with many also hitting lows on 11 October. However, the recent high prices of gas have attracted several LNG tankers to the UK, with cargoes from the US and Qatar arriving this week. Contracts across the curve fell this week, with day-ahead power falling 3.5% to £63.9/MWh amid a surge in wind generation. Seasonal power contracts were down 6.5% on average week-on-week, as lower commodity prices pressured contracts along the curve. Gas contracts along the curve fell week-on-week, with day-ahead gas dropping 7.6% to end the week at 64.8p/th as temperatures are forecast to remain near seasonal normal levels. The weekly average Brent crude oil price fell for the first time in two months, averaging \$83.1/bl. Prices fell below \$80.5/bl at the end of the week as the US announced it would discuss potential waivers for Iranian imports and as the US stock market fell for a sixth consecutive day amid a slowdown in the global economy and the US-China trade dispute. API 2 coal also fell, dropping for the first time in 10-weeks to average \$96.7/t after hitting a five-week low of \$94.0/t on 11 October. EU ETS carbon prices reversed the previous week's gains, losing 2.6% to average €20.6/t. Prices plummeted to their lowest since 20 August, dropping to €18.3/t on 11 October.

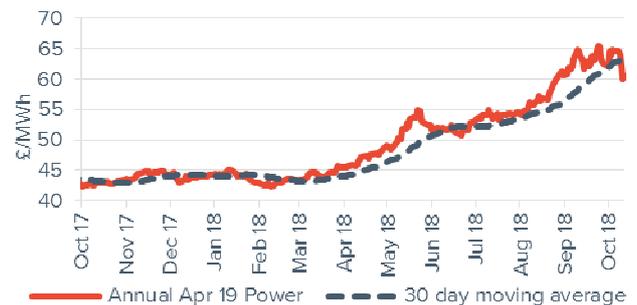
Baseload electricity

- Day-ahead power fell 3.5% to end the week at £63.9/MWh. Prices dropped to a three-week low of £61.4/MWh on 11 October as high wind generation was forecast the following day.
- November and December 18 power decreased 4.6% and 3.8% to £67.3/MWh and £68.3/MWh, respectively.
- Annual April 19 power decreased 6.2% to £60.7/MWh.
- The contract is £1.1/MWh (1.7%) lower than the same period last month, and 41.0% above the same time last year when it was £43.0/MWh.

Forward curve comparison



Annual April contract



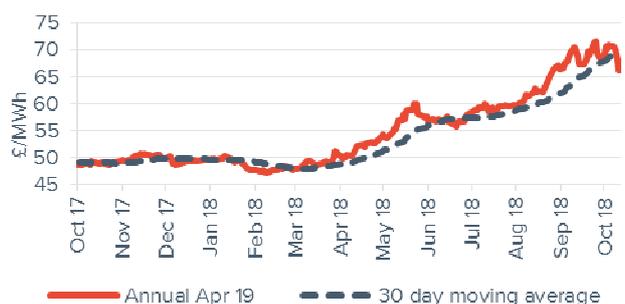
Peak electricity

- Day-ahead peak power continued to decline, dropping 3.0% week-on-week to £68.0/MWh. This was £4.1/MWh above its baseload counterpart.
- Month-ahead peak power went down 4.2% to end the week at £75.0/MWh, £7.7/MWh above its baseload counterpart.
- Week-on-week, annual April 19 peak power went down 6.1% to £66.5/MWh. The contract is £5.8/MWh above its baseload power counterpart.
- The contract was 1.5% below its price last month (£69.3/MWh) and 35.3% higher than its value last year (£49.1/MWh).

Forward curve comparison



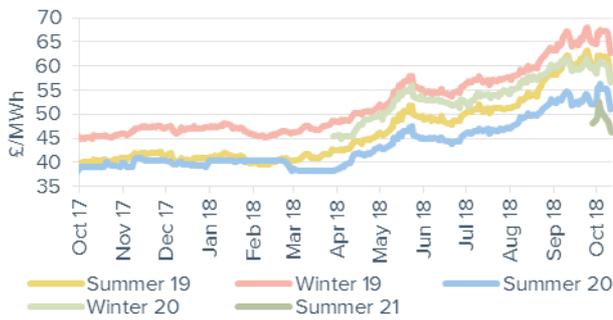
Annual April contract





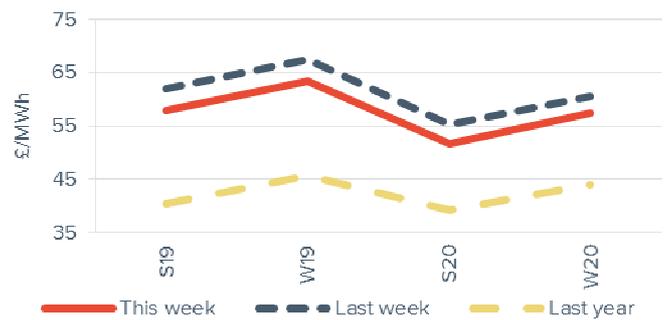
Seasonal power prices

Seasonal baseload power contracts



- Seasonal contracts were down 6.5% on average.
- Summer 19 power fell 6.5% to £58.0/MWh, falling to a seven-week low of £57.5/MWh on 11 October.
- Winter 19 power was down 5.9% to £63.4/MWh.

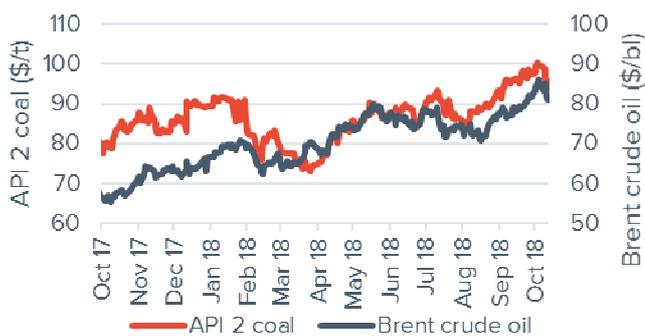
Seasonal baseload power curve



- All seasonal peak power contracts decreased this week, down 6.0% on average.
- Prices followed a decrease in gas prices, with seasonal gas prices down 7.7% on average.

Commodity price movements

Oil and coal



- Brent crude oil fell for the first time in two months, dropping 1.9% to average \$83.1/bl this week.
- Prices dropped after the US announced it would discuss potential waivers for Iranian imports.
- Brent crude oil fell below \$80.5/bl on 12 October, as the US stock market fell for a sixth consecutive day amid a slowdown in the global economy and the US-China trade dispute.
- OPEC's Secretary-General announced that the group believe the oil market is well supplied and voiced concerns of potential oversupply in 2019.
- API 2 coal fell for the first time in 10-weeks, down 2.7% to average \$96.7/t this week.
- Coal prices hit a five-week low of \$94.0/t on 11 October.

Carbon



- EU ETS carbon prices fell 2.6% to average €20.6/t.
- Prices plummeted to their lowest since 20 August, dropping to €18.3/t on 11 October.
- Temperatures across Europe were above seasonal normal levels reducing power demand and supplies from thermal generation.
- News of a German court's ruling that power generator RWE must stop tree clearing operations at Hambach forest, has reduced demand for EUA permits as it affects operations at two of the company's major lignite-fired power plants.
- Although the future of the UK's carbon pricing policy is uncertain post-Brexit, the European Council is due to meet on 18-19 October, and could provide a clearer picture for Brexit plants.

Supplier tariff movements

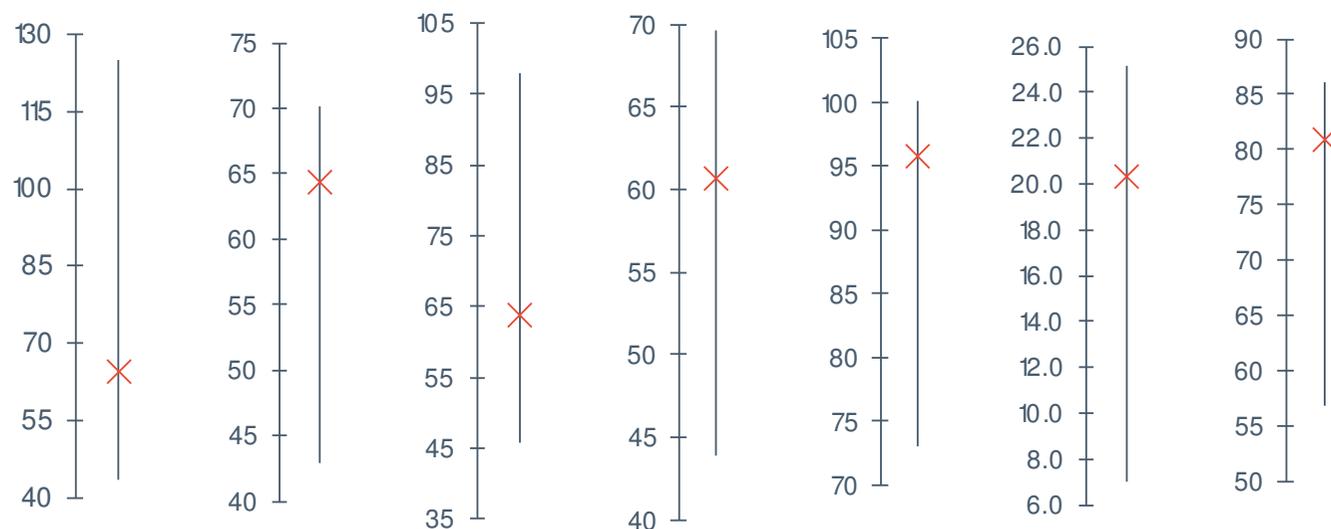
In August, four suppliers moved down a band after reducing the price of their cheapest tariff, while 21 moved up a banding. Of the four decreases, three came from Ovo Energy, Co-operative Energy, and GB Energy (still operating as a separate brand from Co-operative energy) reducing their fixed offers, with ENGIE launching a new EV Home fixed tariff at £980/year. The largest price increase came from Toto Energy, after the removal of its variable Smart Meter Saver tariff which had been priced at £826/year on average. The supplier's cheapest tariff in August was priced at £1,049/year for the average consumer, an increase of £223/year.



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	12 Oct 18	64.75	64.30	63.90	60.66	95.75	20.28	80.87
Two weeks ago	5 Oct 18	70.10	69.12	66.25	64.68	99.75	21.29	84.83
Four weeks ago	14 Sep 18	71.50	64.66	66.55	61.72	96.30	20.30	78.24
Last year	13 Oct 17	43.85	44.56	46.00	43.03	83.40	7.30	57.40
Year-on-year %change		47.7%	44.3%	38.9%	41.0%	14.8%	177.8%	40.9%
Year high		125.00	70.19	98.00	69.61	100.15	25.16	86.12
Year low		43.60	42.89	45.65	43.85	73.00	7.00	56.79

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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