

Energy Wholesale Market Review

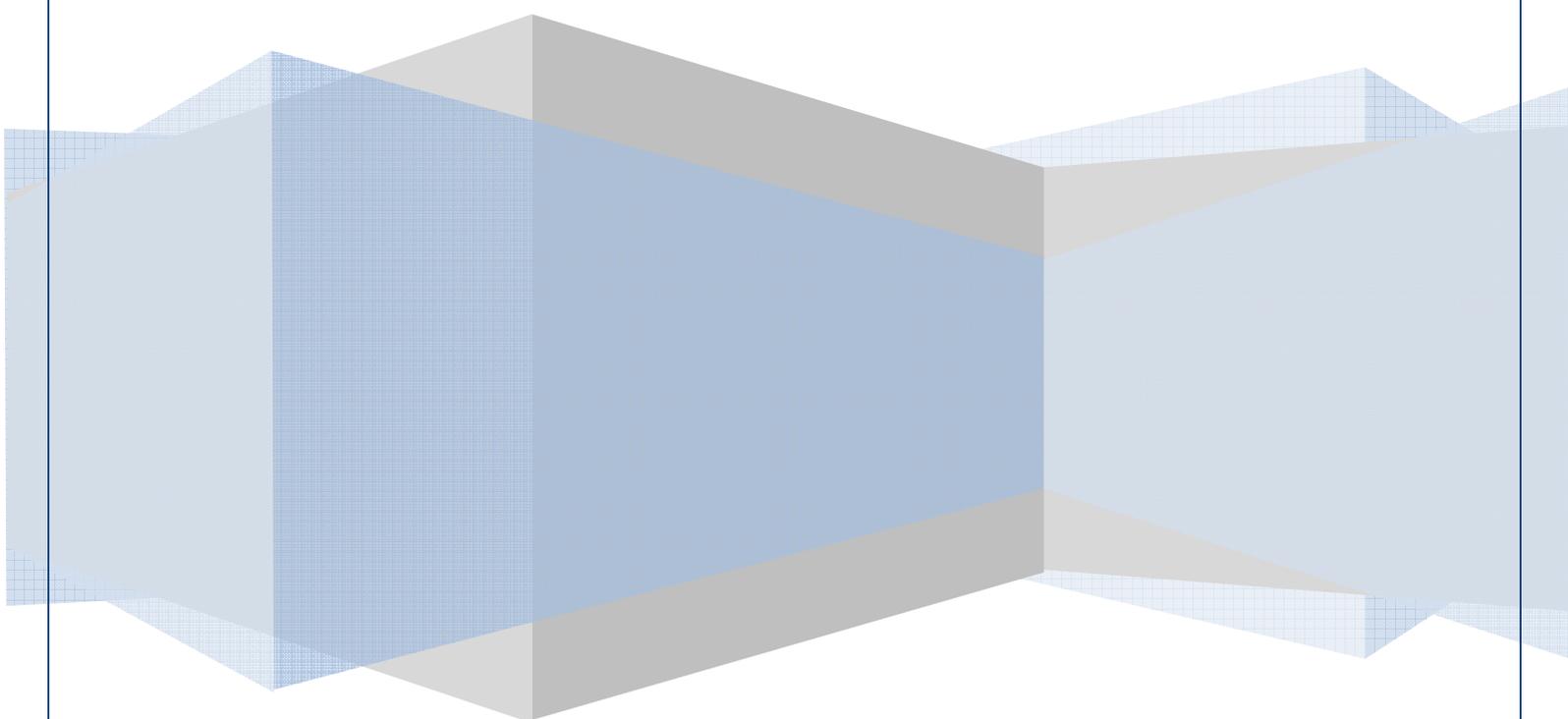
Week Ending 26th October 2018



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Headlines 26/10/2018

This week, wholesale power and gas, and commodity markets experienced mixed movements, with month-ahead gas contracts hitting 11-week lows as high LNG send-out is expected to continue into November with several cargoes contracted to 7 November. Both baseload and peak power contracts experienced mixed movements, with the majority of near-term contracts out to winter 19 falling. The day-ahead contract was the exception, rising as reduced wind output and lower temperatures tightened supply and demand fundamentals. Contracts further along the curve, beyond summer 20, rose week-on-week, following their gas counterparts higher. All gas contracts out to and including winter 19 fell this week. Day-ahead gas decreased 2.9% to end the week at 66.1 p/th, following many LNG deliveries in the previous week and several cargoes contracted for next week. This is despite temperatures forecasted to fall below seasonal-normal levels and signals a healthy market. The weekly average Brent crude oil price fell for a third week, dropping 3.8% to average \$77.3/bl, down from \$80.4/bl the previous week. Oil prices dropped as Saudi Arabia has warned of oversupply in the market this year following the announcement that the nation would increase production to 11.0mn bpd. API 2 coal prices recovered from the previous two weeks of decline, rising 1.3% to average \$97.7/t. EU ETS carbon prices slipped 0.5% to average €19.0/t, continuing to remain below €20.0/t throughout the week, with prices dropping as low as €18.3/t on 23 October.

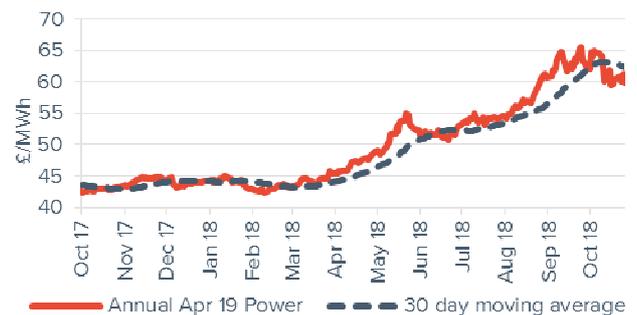
Baseload electricity

- Day-ahead power rose 3.6% to £66.7/MWh.
- Prices started the week at £61.3/MWh, the lowest since 18 August, amid forecasts of higher wind generation.
- November 18 power fell to a multi-month low, dropping 4.8% to £64.8/MWh.
- Annual April 19 power decreased 1.0% to £59.9/MWh.
- The contract is £2.6/MWh (4.2%) lower than the same period last month, and 38.6% above the same time last year when it was £43.2/MWh.

Forward curve comparison



Annual April contract



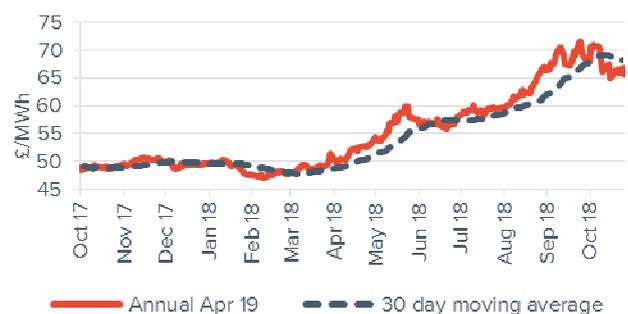
Peak electricity

- Day-ahead peak power increased 8.0% week-on-week to £74.0/MWh. This was £7.3/MWh above its baseload counterpart.
- Month-ahead peak power went down 4.4% to end the week at £72.5/MWh, remaining £7.7/MWh above its baseload counterpart.
- Week-on-week, annual April 19 peak power went down 0.9% to £65.6/MWh. The contract remains £5.7/MWh above its baseload power counterpart.
- The contract was 4.4% below its price last month (£68.6/MWh) and 33.4% higher than its value last year (£49.2/MWh).

Forward curve comparison



Annual April contract



Seasonal power prices

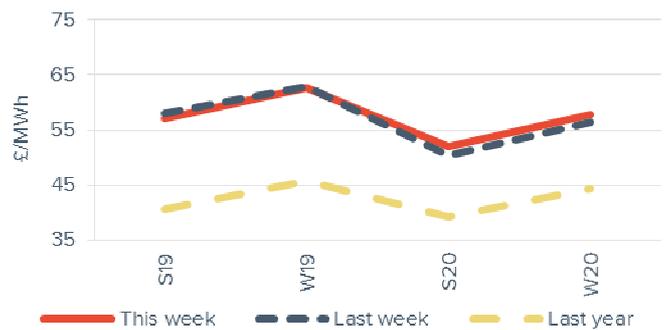


Seasonal baseload power contracts



- Seasonal contracts were up 0.8% on average.
- Summer and winter 19 fell 1.7% and 0.2% to £57.0/MWh and £62.7/MWh respectively.
- Summer 20 power was up 3.2% to £51.9/MWh.

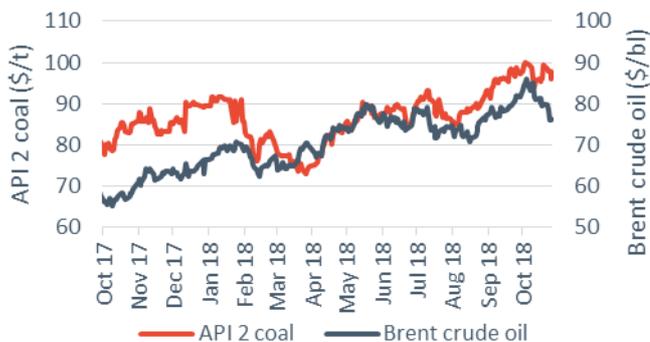
Seasonal baseload power curve



- Most seasonal peak power contracts increased this week, up 0.8% on average.
- Prices followed their gas counterparts; however seasonal gas contracts fell 0.4% on average.

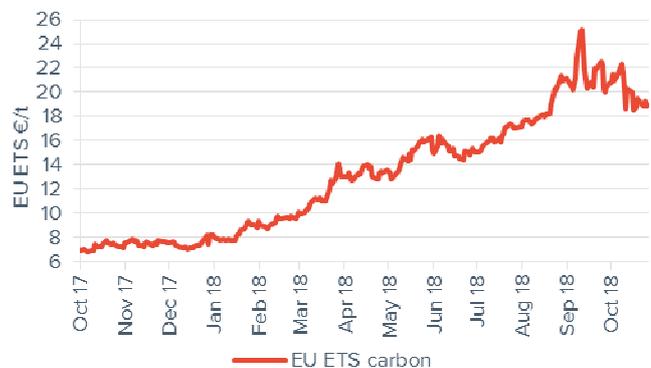
Commodity price movements

Oil and coal



- The weekly average Brent crude oil price fell for a third week, dropping 3.8% to average \$77.3/bl, down from \$80.4/bl the previous week.
- Oil prices dropped to \$75.2/bl on 24 October, the lowest since August, as Saudi Arabia has warned of oversupply in the market this year following the announcement that the nation would increase production to 11.0mn bpd ahead of the Iranian sanctions coming into effect on 5 November.
- API 2 coal prices recovered from the previous two weeks of decline, rising 1.3% to average \$97.7/t.
- This week, it was announced that Chinese coal output from its top producing region, Inner Mongolia, was up 11.1% between Q1 18 and Q3 18, with output at 673.3mn tonnes in September.

Carbon



- EU ETS carbon prices slipped 0.5% to average €19.0/t, continuing to remain below €20.0/t throughout the week.
- Prices dropped as low as €18.3/t on 23 October.
- With German auctions postponed from mid-November until Q1 19, the loss of nearly 22mn EUAs from auction volumes could see carbon prices back above €20.0/t in the coming weeks.
- However, uncertainty over Brexit continues to impact prices and may outweigh support from lower EUA volumes.

Supplier tariff movements

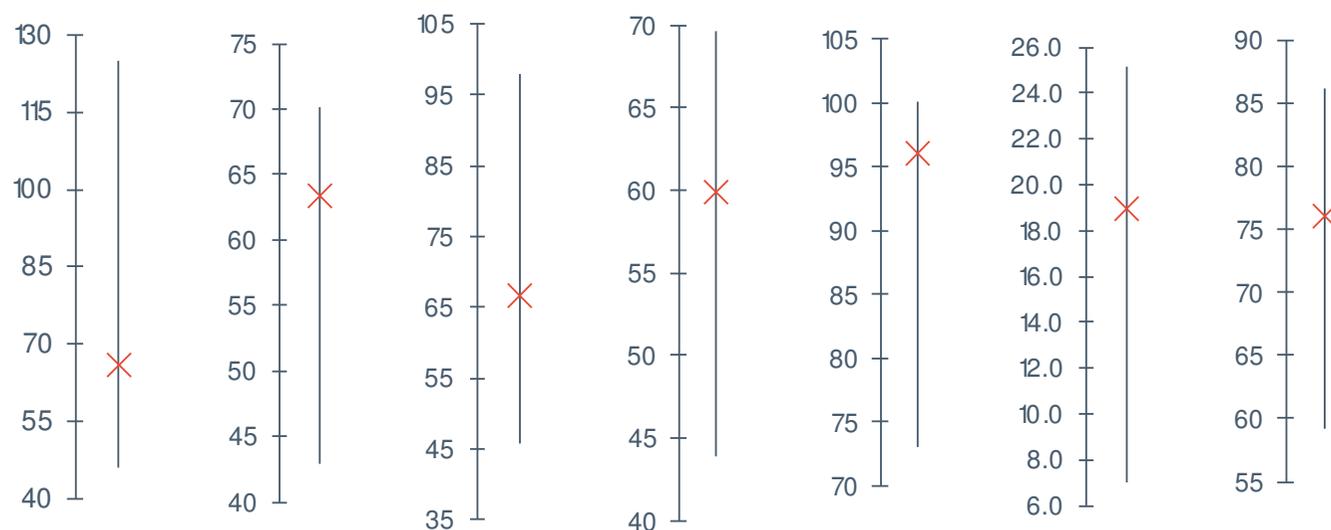
In September, a further 28 suppliers moved up the price bandings with their cheapest dual fuel products, with just three moving down. Of the three downward movements, the largest was seen from Scottish Power which launched a new version of its Super Saver tariff priced at £1,051/year on average, £101/year less than its cheapest dual fuel offering in August. The largest price increase came from ENSTROGA, which offered a market leading fixed price tariff of £862/year in August, but launched a new fixed product in September priced £220/year higher at £1,082/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 | 26 Oct 18 | 66.05 | 63.30 | 66.70 | 59.86 | 96.00 | 18.96 | 76.06 |
| Two weeks ago | 19 Oct 18 | 68.00 | 65.08 | 64.40 | 60.43 | 99.25 | 19.45 | 79.88 |
| Four weeks ago | 28 Sep 18 | 73.25 | 66.70 | 67.10 | 62.46 | 97.25 | 20.55 | 81.70 |
| Last year | 27 Oct 17 | 46.10 | 44.76 | 48.95 | 43.20 | 85.00 | 7.22 | 59.12 |
| Year-on-year %change | | 43.3% | 41.4% | 36.3% | 38.6% | 12.9% | 162.6% | 28.7% |
| Year high | | 125.00 | 70.19 | 98.00 | 69.61 | 100.15 | 25.16 | 86.12 |
| Year low | | 46.10 | 42.89 | 45.75 | 43.85 | 73.00 | 7.00 | 59.12 |

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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