Energy Wholesale Market Review

Week Ending 5th October 2018

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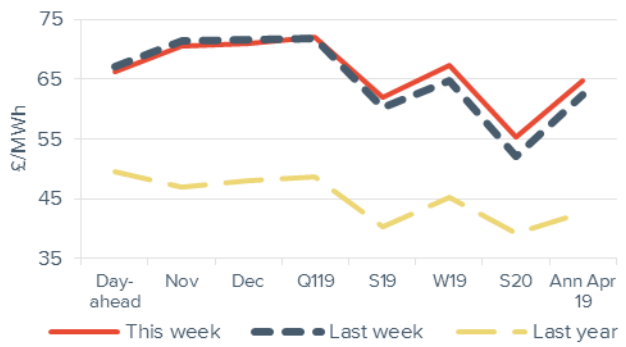
Headlines 05/10/2018

Near-term power and gas contracts continued lower this week, whilst seasonal contracts recovered from the previous week's decline. Week-on-week, day-ahead gas prices dropped 4.3% to 70.1p/th, as the gas system was oversupplied following a pickup in Norwegian flows to the UK. Day-ahead power followed its gas counterpart lower, down 1.3% to end the week at £66.3/MWh. All seasonal gas and power contracts increased week-on-week. Seasonal gas contracts increased 3.9% on average with summer and winter 19 up 3.7% and 3.6% to 65.1p/th and 73.1p/th, respectively. Seasonal power contracts were up 3.8% on average, with summer 19 rising 3.1% to £62.0/MWh, despite starting the week at a four-week low of £56.6/MWh. Brent crude oil prices rose for the seventh consecutive week, gaining 3.8% to average $84.7/bl. Oil hit a fresh four-year high of $86.1/bl on 4 October as the upcoming US sanctions on Iran drive supply uncertainty in the market. API 2 coal rose 1.8% to average $99.4/t this week, hitting a five-year high of $100.2/t on 3 September. Winter restocking in Asia continue to sustain prices at current levels, with reports of falling coal inventories in India expected to support demand in the region. EU ETS carbon prices remained unchanged week-on-week, continuing to average €21.1/t with 23.8mn EUAs auctioned across Europe.

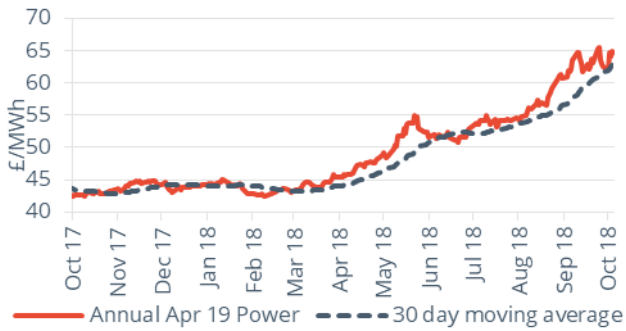
Baseload electricity

- Day-ahead power fell 1.3% to £66.3/MWh.
- Prices started the week down at £63.3/MWh with forecasts of higher wind generation.
- Both November 18 and December 18 power decreased week-on-week, dropping 1.2% and 0.8% to £70.5/MWh and £71.0/MWh respectively.
- The annual April 19 power contract rose 3.6% to end the week at £64.7/MWh (up from £62.5/MWh).
- The contract is £1.2/MWh (1.9%) higher than the same period last month, and 51.4% above the same time last year when it was £22.0/MWh.

Forward curve comparison



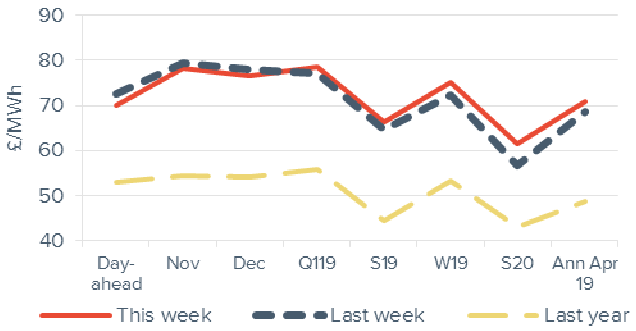
Annual October contract



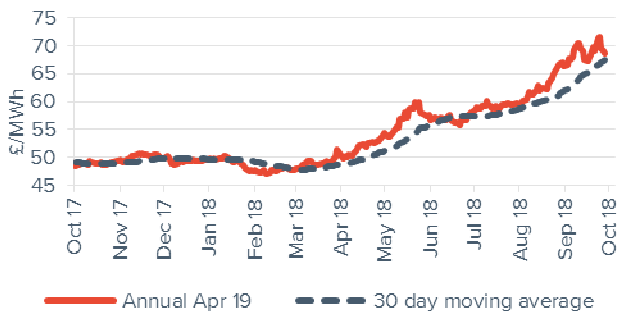
Peak electricity

- Day-ahead peak power continued to decline, dropping 3.3% week-on-week to £70.1/MWh. This was £3.8/MWh above its baseload counterpart.
- Month-ahead peak power went down 1.4% to end the week at £78.3/MWh, £7.8/MWh above its baseload counterpart.
- Week-on-week, annual April 19 peak power went up 3.2% to £70.8/MWh. The contract is £6.1/MWh above its baseload power counterpart.
- The contract was 2.2% above its price last month (£69.3/MWh) and 44.8% higher than its value last year (£48.9/MWh).

Forward curve comparison

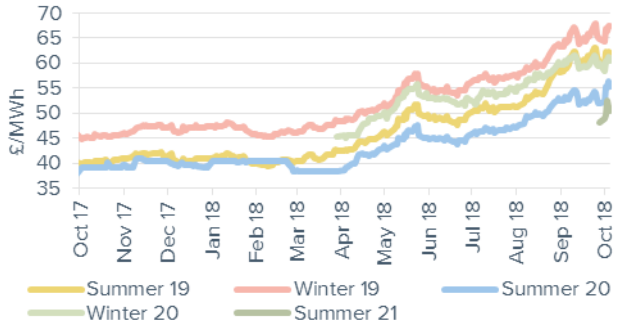


Annual October contract

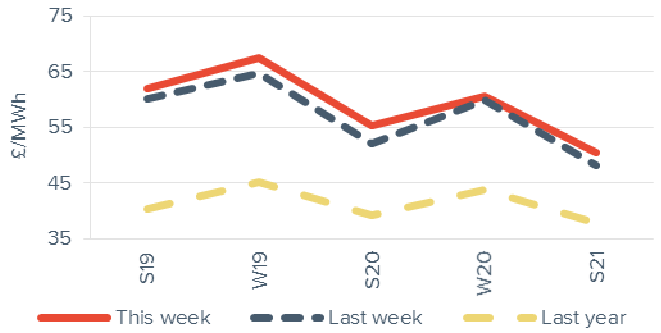


Seasonal power prices

Seasonal baseload power contracts



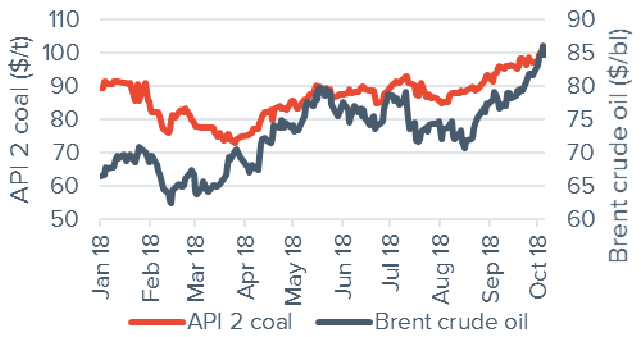
Seasonal baseload power curve



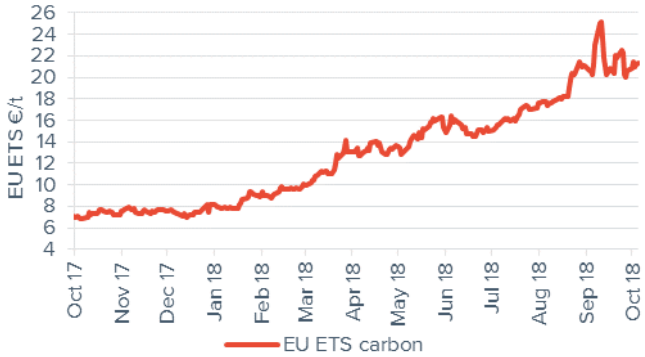
- Seasonal contracts were up 3.8% on average.
- Summer 19 rose 3.1% to £62.0/MWh, despite starting the week at a four-week low of £56.6/MWh.
- Winter 19 power was up 4.0% to £67.4/MWh.
- All seasonal peak power contracts increased last week, up 3.3% on average.
- Prices followed an increase in gas prices, with seasonal gas prices gaining 3.9% on average.

Commodity price movements

Oil and coal



Carbon



- The weekly average Brent crude oil price rose for the seventh consecutive week, gaining 3.8% to average $84.7/bl, up from $81.6/bl the previous week.
- Oil hit a fresh four-year high of $86.1/bl on 4 October. However, the announcement by Nigeria's OPEC representative suggests that OPEC will balance the oil market albeit with little spare capacity.
- API 2 coal rose 1.8% to average $99.4/t last week, hitting a five-year high of $100.2/t on 3 October.
- Winter restocking efforts in Asia continue to sustain prices at current levels, with reports of falling coal inventories in India expected to support demand.
- EU ETS carbon prices rose averaged €21.1/t.
- A total of 23.8mn EUAs were up for auction this week. Auction volumes are set to drop by 9.2% to 21.6mn EUAs next week, following allowances from a failed UK auction in September being reauctioned this week.
- Prices started the week down at €20.8/t but rose throughout the week to €21.3/t on 5 October following a successful German auction of 5.5mn EUAs at €21.1/t.
- Belgian nuclear power outages could result in higher fossil fuel burning in Europe and push demand for EUAs higher.

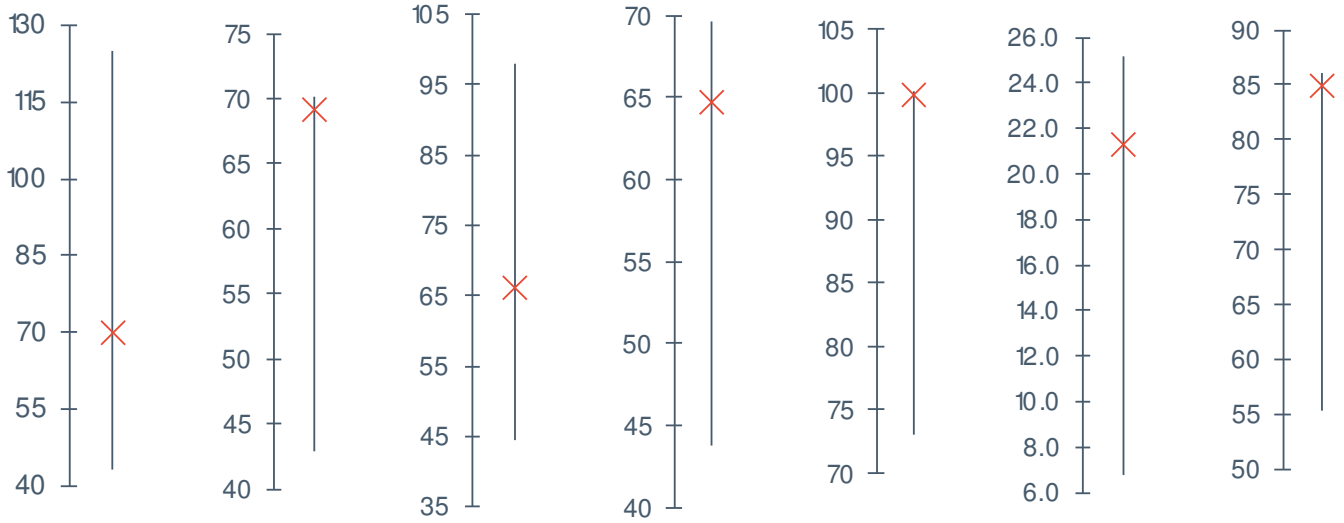
Supplier tariff movements

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 £22

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	5 Oct 18	70.10	69.12	66.25	64.68	99.75	21.29	84.83
Two weeks ago	28 Sep 18	73.25	66.70	67.10	62.46	97.25	20.55	81.70
Four weeks ago	7 Sep 18	74.50	65.92	69.50	63.46	96.00	22.98	76.59
Last year	6 Oct 17	46.85	44.07	49.50	42.73	79.30	6.80	56.92
Year-on-year % change		49.6%	56.8%	33.8%	51.4%	25.8%	213.1%	49.0%
Year high		125.00	70.19	98.00	69.61	100.15	25.16	86.12
Year low		43.25	42.89	44.50	43.73	73.00	6.80	55.34

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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