



Energy Wholesale Market Review

Week Ending 16th November 2018



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Headlines 16/11/2018

All wholesale power and gas prices rose this week on the back of forecasts of below seasonal normal temperatures for the rest of 2018, whilst Brent crude oil and API 2 coal experienced downwards movements. The day-ahead power contract went up 14.7% to an eight-week high of £70.3/MWh, supported by falling levels of wind generation, projections of colder weather and higher gas prices. This is despite an increase in nuclear capacity supporting supply margins during periods of lower wind generation. Seasonal power contracts increased 2.5% on average. Summer and winter 19 went up 4.7% and 3.0% to £58.2/MWh and £63.7/MWh respectively. All gas contracts rose this week.

Day-ahead gas gained 11.4% to end the week at an eight-week high of 70.0p/th. Prices were supported by falling temperature forecasts and an unplanned outage at Kollsnes gas terminal, despite the gas system being oversupplied across the week amid high LNG send-out. The weekly average Brent crude oil price fell for a sixth week, dropping 5.8% to average \$67.9/bl. Oil prices dropped to a six-month low of \$64.8/bl on 13 November, as recent concerns of a tight market have turned to worries of oversupply in 2019. API 2 coal prices dropped 2.8% to average \$87.5/t, and hit a 16-week low of \$86.0/t on 15 November as Chinese demand continues to drop. EU ETS carbon prices went up 7.9% to average €19.6/t. Prices broke €20.0/t at the start of the week, with support from reduced EUA auction volumes following the postponement of German auctions until Q1 19.

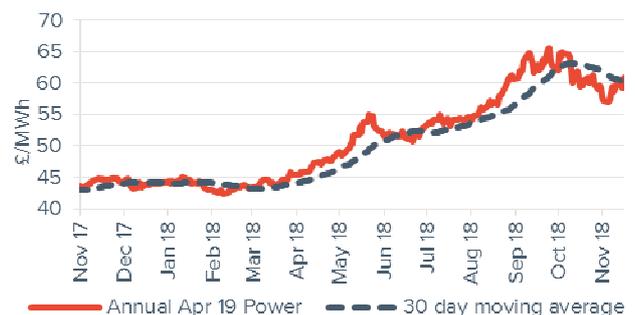
Baseload electricity

- Day-ahead power rose 14.7% to an eight-week high of £70.3/MWh, following gas prices higher.
- December 18 and January 19 power rose 9.7% and 7.7% to £69.8/MWh and £70.0/MWh respectively.
- Annual April 19 power gained 3.8% to £60.9/MWh.
- The contract is 0.8% above the same time last month when it was £60.4/MWh, and 36.8% than during the same period last year (£44.5/MWh).

Forward curve comparison



Annual April contract



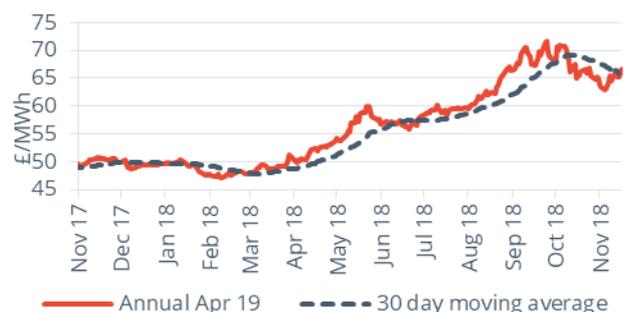
Peak electricity

- Day-ahead peak power gained 11.3% week-on-week to £73.0/MWh. This was £3.0/MWh above its baseload counterpart.
- Month-ahead peak power went up 9.7% to end the week at £77.1/MWh, £7.3/MWh above its baseload counterpart.
- Week-on-week, annual April 19 peak power went up 3.3% to £66.6/MWh. The contract was £5.7/MWh above its baseload power counterpart.
- The contract was 0.7% above its price last month (£66.1/MWh) and 32.1% higher than its value last year (£50.4/MWh).

Forward curve comparison



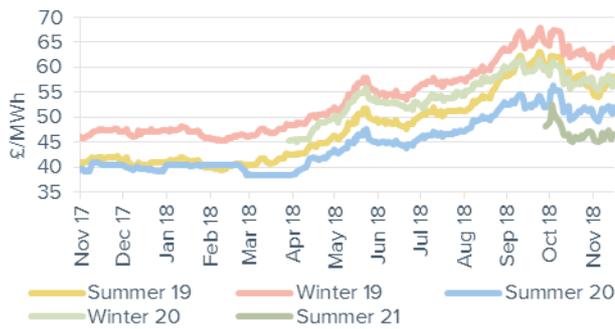
Annual April contract





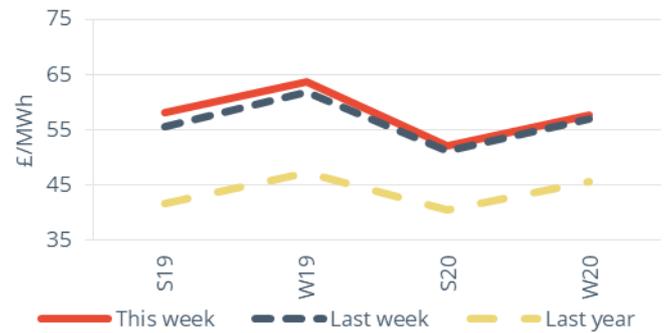
Seasonal power prices

Seasonal baseload power contracts



- Seasonal baseload power contracts increased 2.5% on average.
- Summer and winter 19 power went up 4.7% and 3.0% to £58.2/MWh and £63.7/MWh respectively.

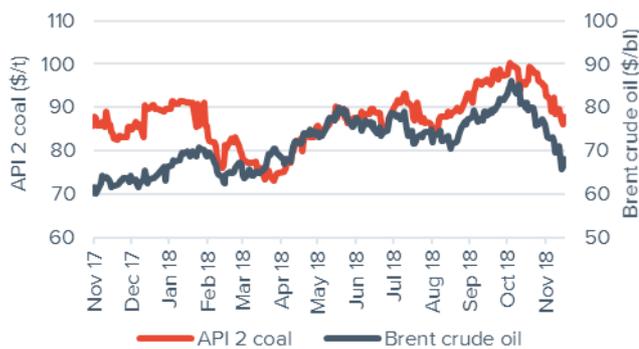
Seasonal baseload power curve



- All seasonal peak power contracts increased this week, up 2.3% on average.
- Prices followed their gas counterparts, with seasonal gas contracts 2.4% higher on average.

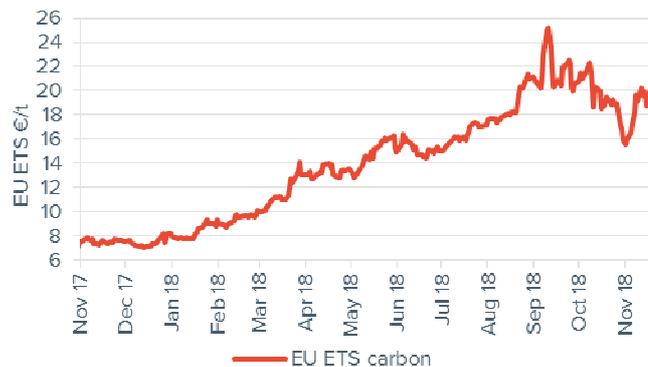
Commodity price movements

Oil and coal



- The weekly average Brent crude oil price fell for a sixth week, dropping 5.8% to average \$67.9/bl, down from \$72.1/bl the previous week.
- Within-day oil prices dropped to an eight-month low of \$64.8/bl on 13 November, amid concern of an oversupplied market in 2019.
- Brent crude oil prices plummeted following concerns of oversupply as US crude production is at a record high of 11.6mn bpd and US crude stocks hit 442.1mn barrels.
- API 2 coal prices dropped 2.8% to average \$87.8/t, down from \$90.3/t the previous week.
- Prices fell to a 16-week low of \$86.0/t on 15 November, as China stop all seaborne thermal coal imports for the remainder of the year.

Carbon



- EU ETS carbon prices continued to recover, up 7.9% to average €19.6/t.
- Prices have recovered with the upcoming Market Stability Reserve that will remove surplus allowances from January 2019. The cancellation of German auctions reducing EUA volumes.
- Prices could also find support from below seasonal normal temperatures across Europe in the coming weeks, which may increase coal fired-power generation and push up demand for EUAs.

Supplier tariff movements

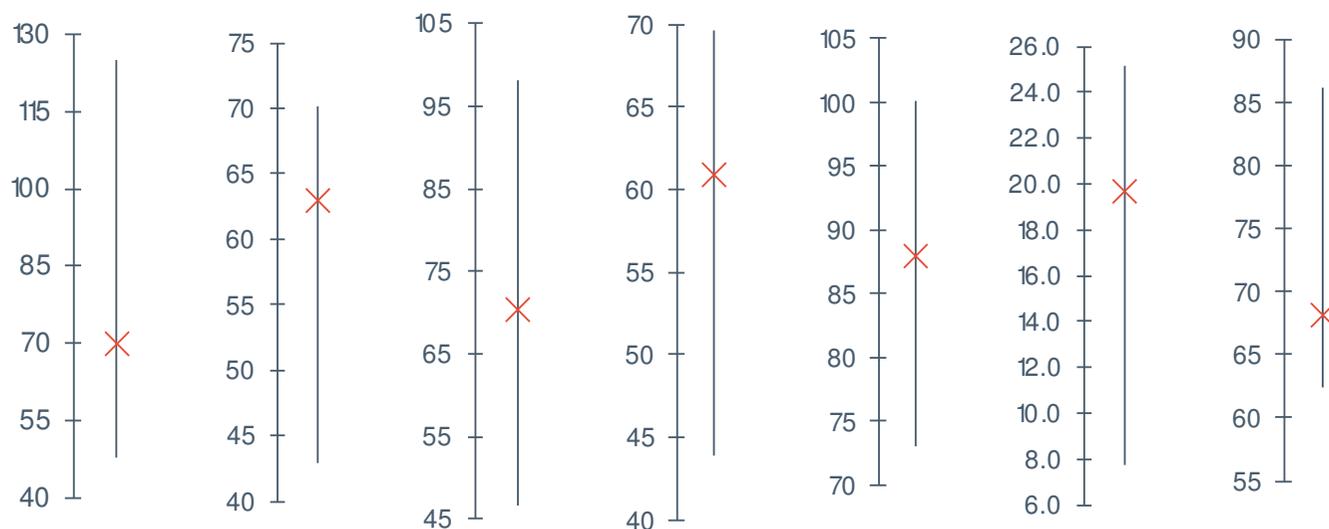
In September, 31 suppliers changed their price banding, with 28 applying price increases on their cheapest domestic tariffs. Domestic tariff movements are a useful proxy for small and medium sized business rates, as the bills are largely made up of the same components. Higher tariff rates have been a result of increased wholesale power and gas prices during 2018, as well as rising Third Party Charges. However, the recent decline in wholesale prices over the last few months could provide some respite to upward movements of tariffs in the near-term.



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	16 Nov 18	70.00	62.98	70.25	60.93	88.00	19.66	68.09
Two weeks ago	9 Nov 18	62.85	60.79	61.25	58.71	88.45	19.17	69.48
Four weeks ago	19 Oct 18	68.00	65.08	64.40	60.43	99.25	19.45	79.88
Last year	17 Nov 17	51.75	46.46	51.35	44.53	82.70	7.52	61.87
Year-on-year %change		35.3%	35.6%	36.8%	36.8%	6.4%	161.4%	10.1%
Year high		125.00	70.19	98.00	69.61	100.15	25.16	86.12
Year low		47.80	42.89	46.50	43.85	73.00	7.76	62.43

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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