

Energy Wholesale Market Review

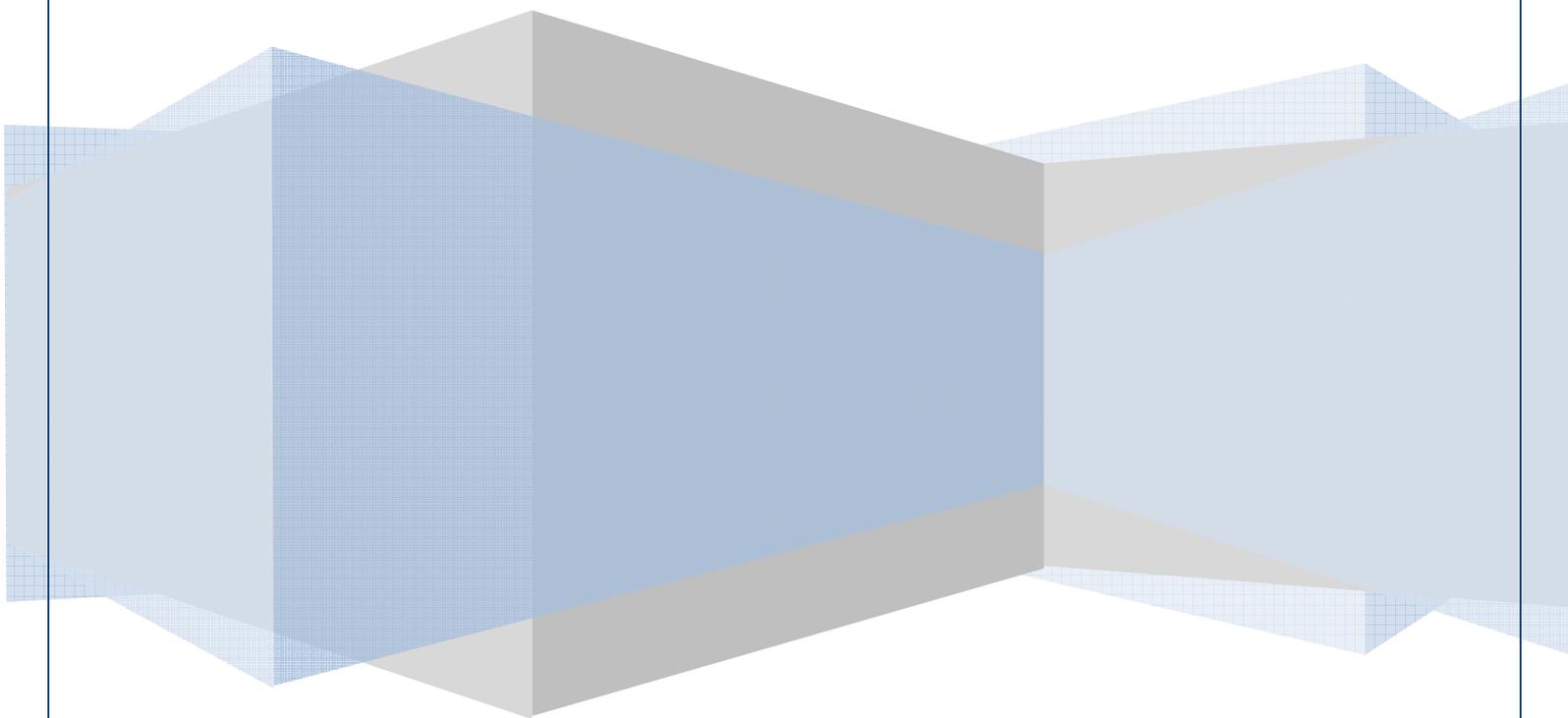
Week Ending 4th January 2019



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Headlines 04/01/2019

Nearly all wholesale power and gas contracts fell week-on-week, with day-ahead peak power the exception, up 1.7% to £68.2/MWh. Day-ahead power fell 0.6% to end the week at £62.1/MWh, amid forecasts of higher wind generation early next week. The new month-ahead (February 19) power contract also dropped, ending the week at £63.9/MWh, whilst March 19 power decreased 1.6% to £61.2/MWh. All seasonal baseload power contracts fell week-on-week, down 3.0% on average. Summer and winter 19 were down 3.4% and 2.7% to £56.0/MWh and £62.1/MWh respectively, both four-week lows. All gas contracts decreased this week, with near-term contracts pressured by above seasonal normal weather at the start of the year. Week-on-week day-ahead gas fell 3.0% to 60.6p/th, 0.6% above the same time last month when it was 60.3p/th. Seasonal gas contracts were down 2.2% on average. Summer and winter 19 gas dropped 3.6% and 2.6% to 53.7p/th and 62.1p/th respectively. Brent crude oil prices slipped from an average of \$55.2/bl the previous week to an average of \$55.1/bl this week. Prices ended 2018 at \$53.8/bl but rose above \$57.0/bl by the end of the week as OPEC production cuts began on 1 January. API 2 coal prices dropped 2.6% to average \$84.6/t. Coal prices ended the week at \$82.6/t, the lowest since 19 April 2018. EU ETS carbon prices curtailed 1.5% to average €24.8/t, down from €25.2/t the previous week, despite there being no auctions scheduled until 7 January.

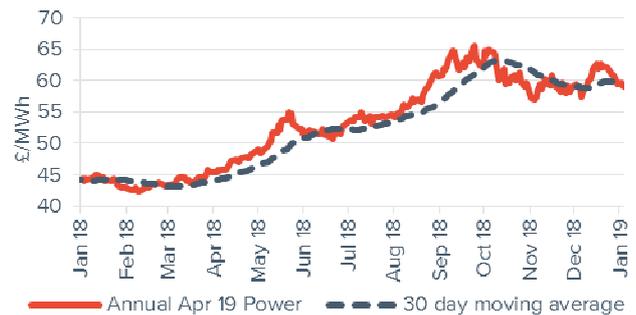
Baseload electricity

- Day-ahead power fell 0.6% week-on-week to £62.1/MWh amid forecasts of high wind generation.
- February and March 19 power dropped 3.5% and 1.6% to £63.9/MWh and £61.2/MWh respectively.
- Annual April 19 power fell 3.0% to £59.1/MWh.
- The contract is 1.4% above the same time last month when it was £58.3/MWh and 33.4% higher than its value last year (£44.3/MWh).

Forward curve comparison



Annual April contract



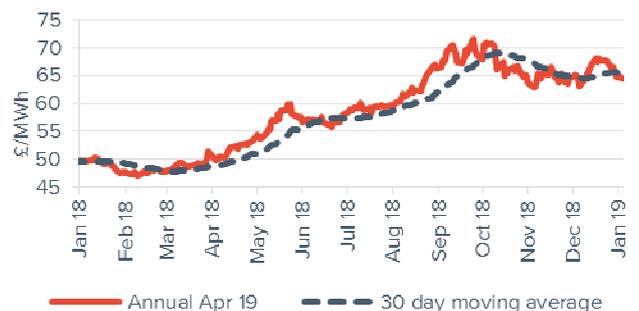
Peak electricity

- Day-ahead peak power rose 1.7% to £68.2/MWh. This was £6.1/MWh above its baseload counterpart.
- Month-ahead peak power went down 3.4% to end the week at £71.0/MWh, £8.1/MWh above its baseload counterpart.
- Week-on-week, annual April 19 peak power fell 3.0% to £64.5/MWh. The contract was £5.4/MWh above its baseload power counterpart.
- The contract was 1.0% above its price last month (£63.8/MWh) and 29.8% higher than its value last year (£49.7/MWh).

Forward curve comparison



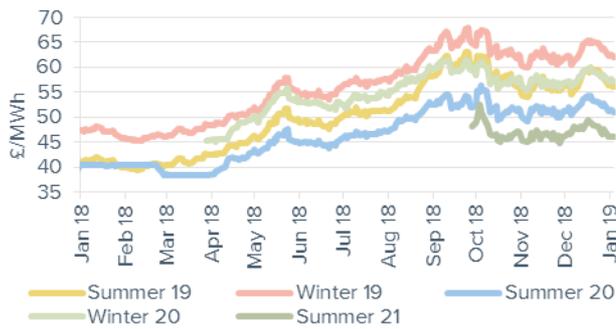
Annual April contract





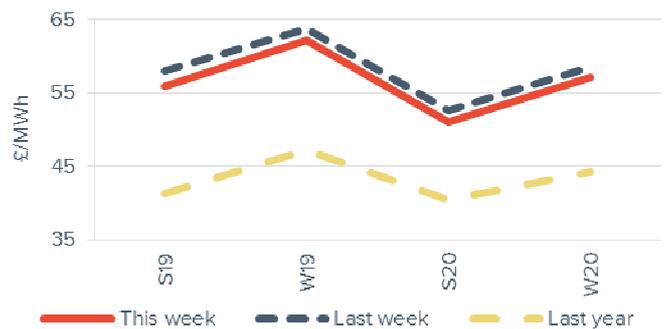
Seasonal power prices

Seasonal baseload power contracts



- All seasonal baseload power contracts decreased week-on-week, dropping 3.0% on average.
- Summer and winter 19 fell 3.4% and 2.7% to £56.0/MWh and £62.1/MWh respectively.

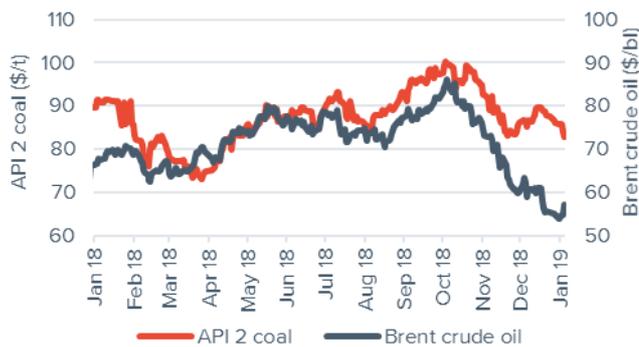
Seasonal baseload power curve



- All seasonal peak power contracts went down this week, falling 2.6% on average.
- The summer 19 contract saw the largest change, down 3.3% to £59.9/MWh.

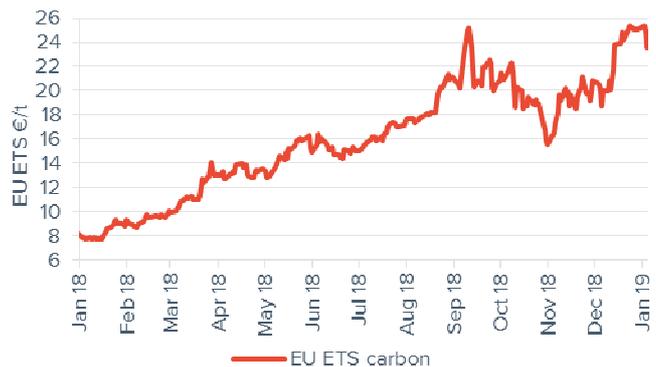
Commodity price movements

Oil and coal



- Brent crude oil prices averaged \$55.1/bl this week.
- Prices ended 2018 at \$53.8/bl but rose above \$57.0/bl by the end of the week as OPEC production cuts began on 1 January.
- Support for oil prices also came from news on 3 January that the US will hold talks with China to discuss the ongoing trade war between the countries, which is continuing to dampen forecasts for global oil demand growth this year.
- API 2 coal prices dropped 2.6% to average \$84.6/t. Coal prices ended the week at \$82.6/t, the lowest since 19 April 2018.
- The Australian government has issued a report forecasting that coal prices in the region could decline by 30% by 2020 from 2018 average levels.

Carbon



- EU ETS carbon prices curtailed 1.5% to average €24.8/t, down from €25.2/t the previous week, despite no auctions scheduled until 7 January.
- The introduction of the Market Stability Reserve will result in a 40% reduction in EUA auction volumes from Monday, which combined with the postponement of British carbon auctions, will result in only 38.8mn EUAs being available for auction in January, compared to a 2018 monthly average of 76.6mn EUAs.
- Next week, EU ETS carbon prices are expected to recover from last week's decline as auctions resume.

Supplier tariff movements

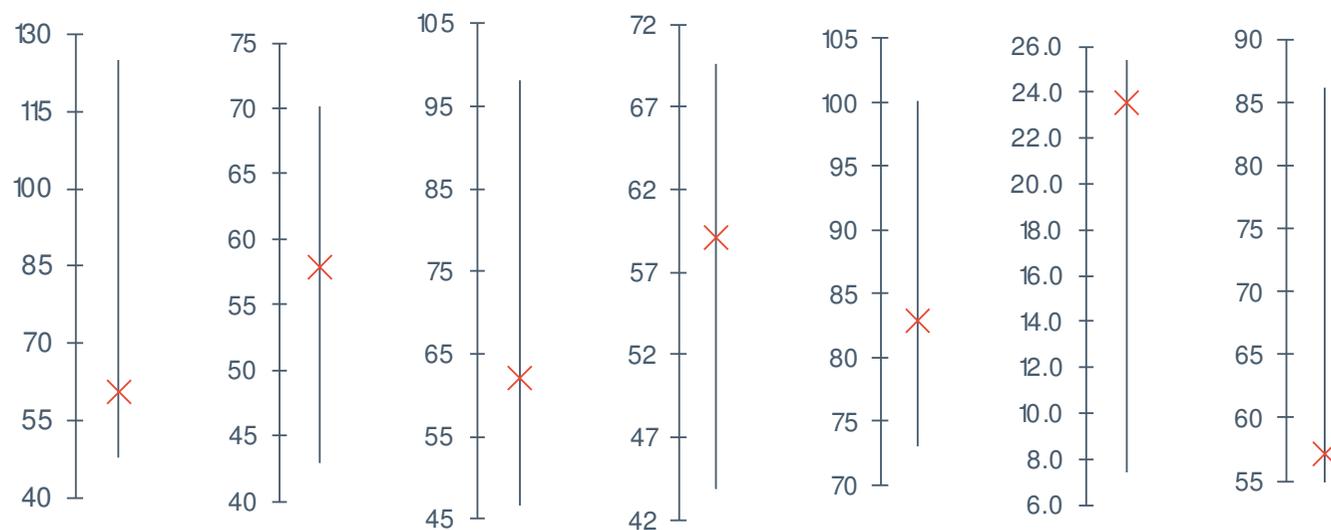
In November, only three suppliers moved up a banding in November. 19 suppliers moved down one or more bandings, with the greatest decrease in cheapest dual fuel offering seen by Toto Energy with the launch of its Online Fixed Saver at £980/year. Last month's market leader, Powershop, remains as market leader this month despite implementing a £49/year increase on its cheapest dual fuel offering. Multiple suppliers have also pre-emptively adjusted their default tariffs ahead of the implementation of the default price cap in January.



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	4 Jan 19	60.60	57.89	62.10	59.07	82.80	23.53	57.10
Two weeks ago	28 Dec 18	62.50	59.73	62.50	60.92	86.15	25.02	54.88
Four weeks ago	7 Dec 18	60.25	58.88	64.65	58.26	86.55	20.00	60.57
Last year	5 Jan 18	52.75	46.79	53.80	44.28	90.75	7.76	67.54
Year-on-year %change		14.9%	23.7%	15.4%	33.4%	-8.8%	203.2%	-15.5%
Year high		125.00	70.19	98.00	69.61	100.15	25.42	86.12
Year low		47.80	42.89	46.50	43.85	73.00	7.39	53.82

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 18 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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