

# Energy Wholesale Market Review

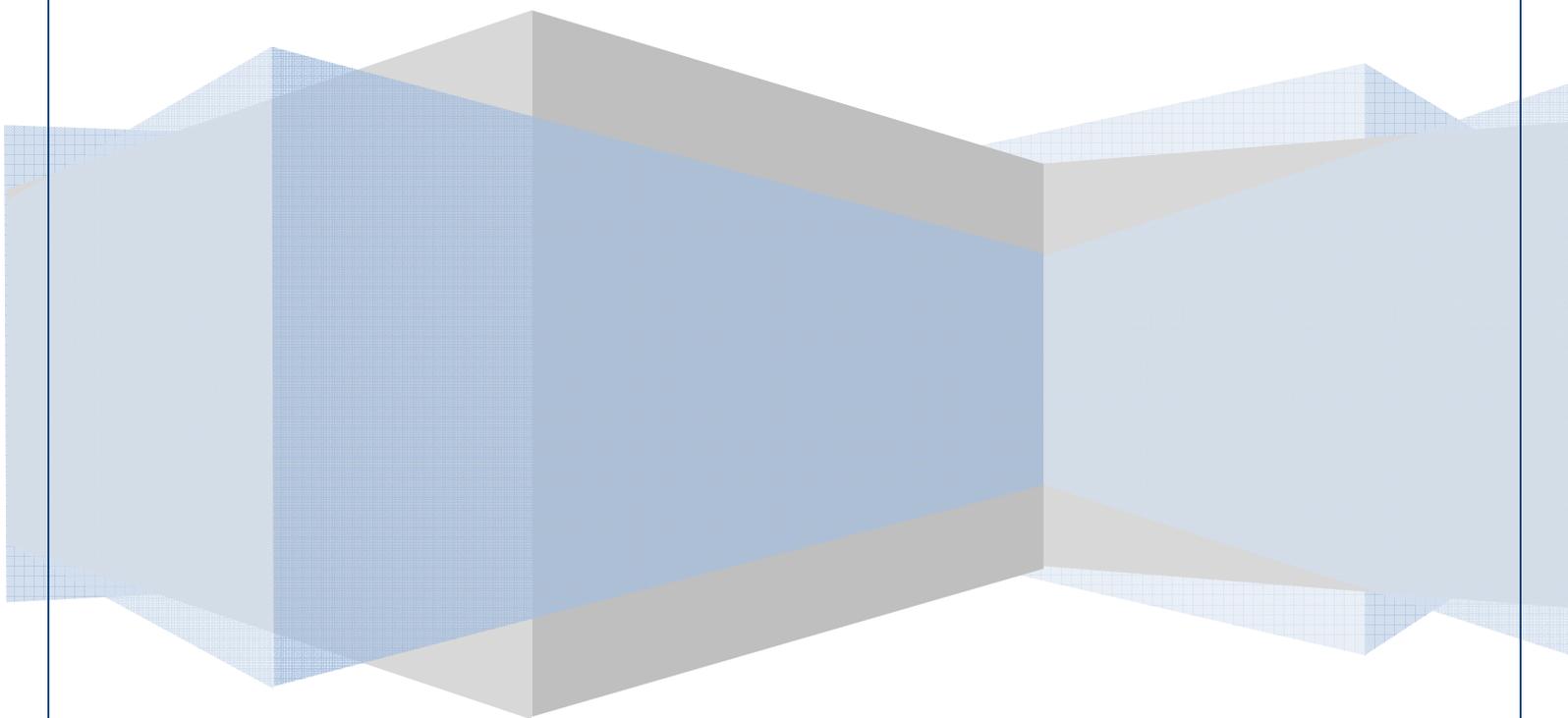
Week Ending 1<sup>st</sup> February 2019



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## Headlines 01/02/2019

All wholesale power contracts and most gas contracts fell this week. Prices were pressured by forecasts of nearer seasonal normal temperatures in February, easing demand, comfortable gas supply margins, and falling commodity prices. All baseload power contracts fell week-on-week. Day-ahead power dropped 8.4% to a seven-month low of £54.5/MWh, following its gas counterpart lower. Seasonal power contracts fell 3.3% on average from the previous week, with summer 19 power down 5.6% to £51.8/MWh, the lowest since August 2018. Most gas contracts fell as the gas system was well supplied amid increased LNG imports, high storage levels and forecasts of milder temperatures. Day-ahead gas dropped 9.7% to 52.1p/th, a nine-month low and 0.1p/th above the same time last year when the contract was 52.0p/th. Although most seasonal gas contracts rose, a 4.0% week-on-week drop in the summer 19 gas contract saw seasonal gas prices down 0.6% on average. Summer 19 gas started February at 48.2p/th, the lowest since 21 June 2018. Brent crude oil prices fell for the first time in five weeks, down 0.8% to average \$61.2/bl as economic data shows slower than expected growth in China, signalling weaker demand for oil. API 2 coal prices slipped 1.4%, reversing the previous week's gains and averaging \$84.8/t. Coal prices have fallen amid forecasts of milder temperatures in February across Europe and weaker coal demand in Asia. EU ETS carbon prices dropped for the first time in three weeks, down 7.9% to average €22.6/t.

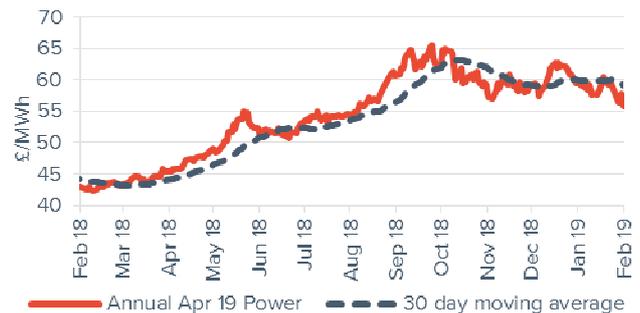
### Baseload electricity

- Day-ahead power dropped 8.4% to a seven-month low of £54.5/MWh, following its gas counterpart lower.
- March and April 19 power contracts lost 7.5% and 5.5% respectively, to start February at £53.4/MWh and £52.7/MWh.
- Annual April 19 power declined 4.4% to £55.8/MWh.
- The contract is 5.5% below the same time last month when it was £59.1/MWh, but 30.3% above the same time last year when it was £42.9/MWh.

#### Forward curve comparison



#### Annual April contract



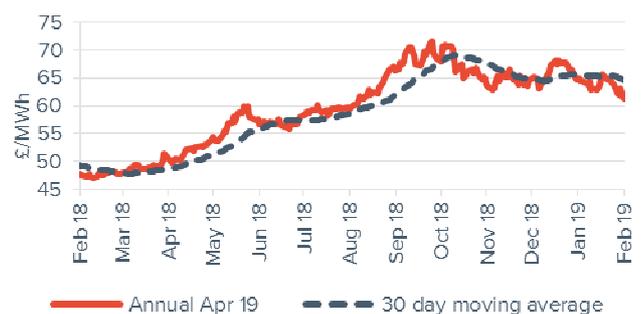
### Peak electricity

- Day-ahead peak power fell 5.6% to £61.1/MWh. This was £6.6/MWh above its baseload counterpart.
- Month-ahead (March) peak power went dropped 7.1% to end the week at £57.3/MWh, £3.9/MWh above its baseload counterpart.
- Week-on-week, annual April 19 peak power fell 4.1% to £61.2/MWh. The contract remains £5.4/MWh above its baseload power counterpart.
- The contract was 5.0% below its price last month (£64.5/MWh), but 28.7% higher than its value last year (£47.6/MWh).

#### Forward curve comparison



#### Annual April contract





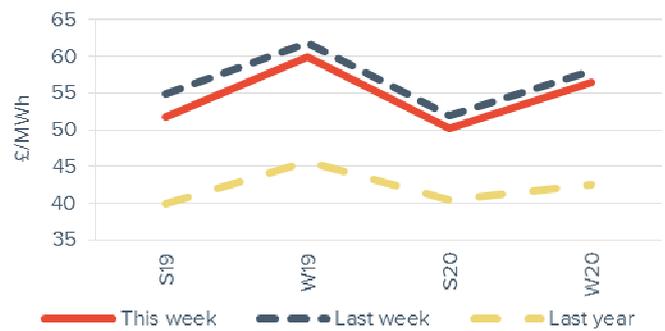
## Seasonal power prices

### Seasonal baseload power contracts



- All seasonal baseload power contracts fell, dropping 3.3% on average from the previous week.
- Summer 19 power dropped 5.6% to £51.8/MWh, the lowest since August 2018. The contract is 7.6% below the same time last month (£56.0/MWh).

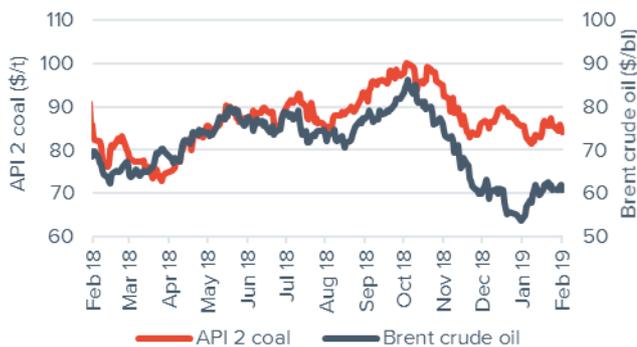
### Seasonal baseload power curve



- All seasonal peak power contracts went down this week, falling 3.3% on average.
- The summer 19 peak contract saw the largest change, dropping 5.4% to £55.7/MWh, and £3.9/MWh below its baseload power counterpart.

## Commodity price movements

### Oil and coal



- Brent crude oil prices fell for the first time in five weeks, down 0.8% to average \$61.2/bbl.
- Oil prices rose early in the week, following reports that the US would impose sanctions on Venezuela's PDVSA oil company.
- However, data released towards the end of the week showed weaker economic growth in China as factory activity fell by the most in three years, signifying weaker demand for oil.
- A Reuters survey expects OPEC production down 890,000bpd in January from December 2018 levels.
- API 2 coal prices slipped 1.4%, reversing the previous week's gains and average \$84.8/t.
- Coal prices have fallen amid forecasts of milder temperatures in February across Europe and the continued weak demand in Asia.

### Carbon



- EU ETS carbon prices dropped for the first time in three weeks, down 7.9% to average €22.6/t.
- This week saw the return of German EUA auctions on 1 February, easing some of the tightness in the market from January.
- The German government has received recommendations by the coal commission to cancel a defined number of EUAs, with expectations that the government will withhold permits in Phase 4 (2021-30).
- The recommendation comes as the commission suggest a complete phase-out strategy of Germany's 43GW of coal capacity by 2038 and should shield the EU ETS from supply-side pressure.

## Supplier tariff movements

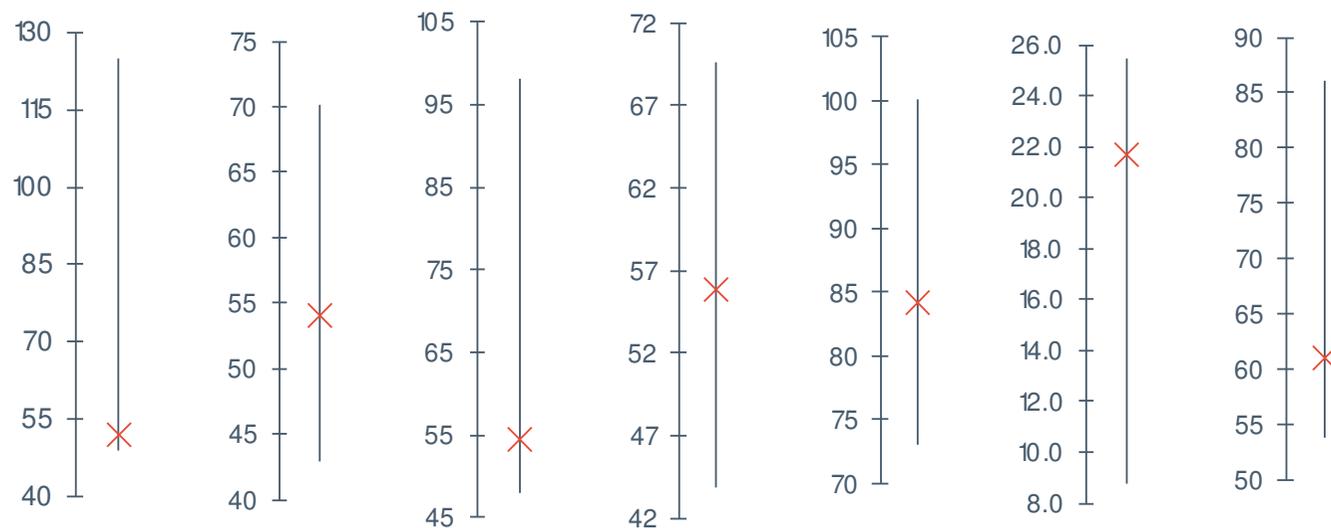
In December, 15 suppliers moved down one or more price bandings, two of which (So Energy and Lumo) reduced their cheapest tariff prices to below £1,000/year on average. Whilst no suppliers made changes to their standard cheapest prepayment tariffs, seven suppliers had an average prepayment tariff within £2 of the prepayment cap of £1,137/year, all of which were medium and large suppliers. The majority of the small suppliers had cheapest prepayment tariffs priced between £1,032/year and £1,090/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	1 Feb 19	52.10	54.07	54.50	55.84	84.20	21.65	60.93
Two weeks ago	25 Jan 19	57.70	55.35	59.50	58.38	85.70	23.49	61.22
Four weeks ago	4 Jan 19	60.60	57.89	62.10	59.07	82.80	23.53	57.10
Last year	2 Feb 18	52.00	43.71	51.25	42.85	82.25	9.02	69.55
Year-on-year %change		0.2%	23.7%	6.3%	30.3%	2.4%	140.0%	-12.4%
Year high		125.00	70.19	98.00	69.61	100.15	25.42	86.12
Year low		49.00	42.89	48.00	43.85	73.00	8.76	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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