



Energy Wholesale Market Review

Week Ending 5th April 2019



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Headlines 05/04/2019

Wholesale power and gas contracts reversed recent trends and moved higher this week. Despite the arrival of seven LNG tankers during the first week of April, the gas system was undersupplied on Friday following a drop in flows from Norway. All baseload power contracts rose week-on-week, following gas counterparts up, while weaker wind generation also supported near-term contracts. A recovering EU ETS carbon market also drove prices up, gaining 5.6% to average €22.8/t. Day-ahead power was up 5.4% to end the week at £44.3/MWh. Earlier in the week the contract fell to a fresh 20-month low of £39.7/MWh. All seasonal power contracts rose, gaining 6.3% on average. All gas contracts rose week-on-week, as cooler temperatures lifted gas demand and an unexplained drop in flows from Norway on Friday led to an undersupplied system. Day-ahead gas increased 7.9% to end the week at a 38.1p/th. The contract had fallen to a fresh 22-month low of 31.5p/th on 3 April as the gas system was oversupplied following an influx of LNG tankers. All seasonal gas contracts went up, rising 6.8% on average, following Brent crude oil prices higher which gained 2.5% to average \$69.2/bl. Oil prices found support from news that OPEC production cuts had taken the group's output to a four-year low in March, with further support from waning Venezuelan production amid US sanctions and power outages. API 2 coal prices fell 4.3% to average \$70.8/t, dropping to \$68.0/t on 3 April, a 22-month low.

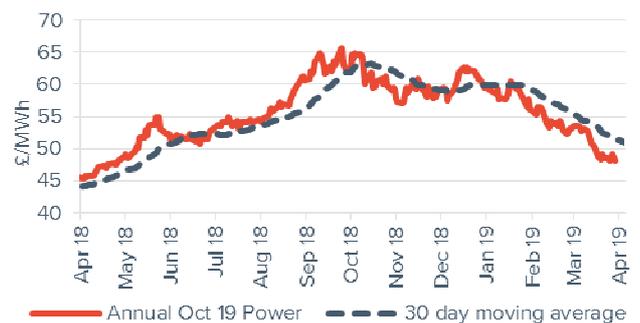
Baseload electricity

- Day-ahead power rose 5.4% to £44.3/MWh. Earlier in the week the contract fell to a fresh 20-month low of £39.7/MWh.
- May and June 19 power contracts gained 8.3% and 8.9% to £45.0/MWh and £46.0/MWh, respectively.
- Annual October 19 power increased 8.5% week-on-week to £53.8/MWh.
- The contract is 1.1% above the same time last month (£53.3/MWh).

Forward curve comparison



Annual October contract



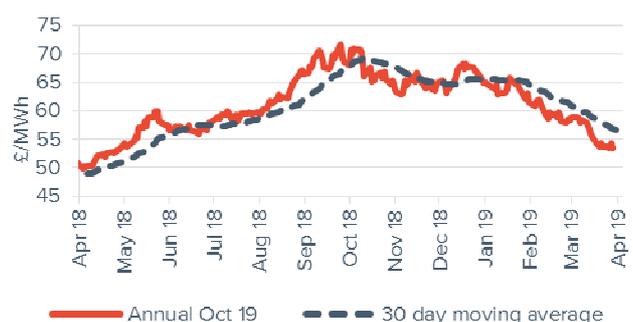
Peak electricity

- Day-ahead peak power increased 9.6% to £46.6/MWh, £6.9/MWh above its baseload counterpart.
- Day-ahead peak power is 10.6% lower than the same time last year when it was £52.2/MWh.
- May and June 19 peak power gained 6.7% and 8.8% to £47.9/MWh and £50.5/MWh, respectively.
- Annual October 19 peak power lifted 7.4% to £59.2/MWh, £5.4/MWh above its baseload power counterpart.
- The contract is unchanged from last month, but 20.3% higher than its value last year (£49.2/MWh).

Forward curve comparison



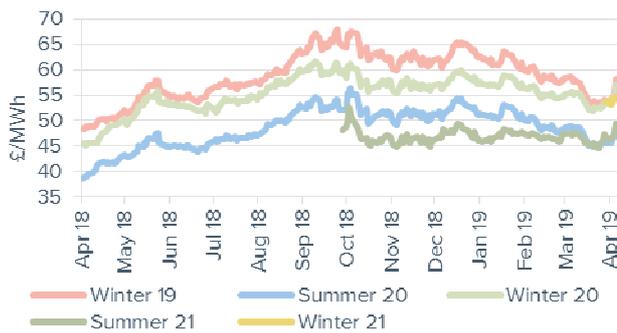
Annual October contract





Seasonal power prices

Seasonal baseload power contracts



- Seasonal power contracts rose 6.3% on average.
- Winter 19 power climbed 8.7% to £58.2/MWh, up 0.5% from the same time last month when it was £58.0/MWh.

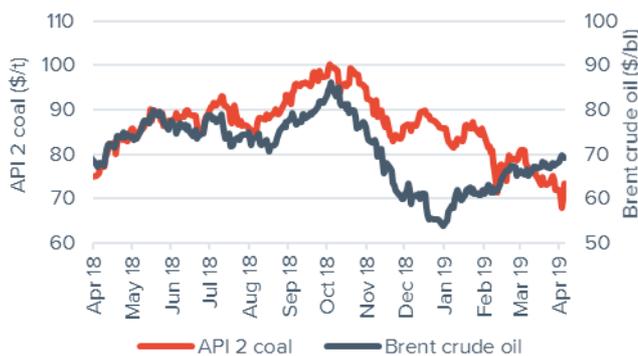
Seasonal baseload power curve



- Seasonal peak power contracts rose 5.4% on average.
- The Winter 19 peak contract was up 7.5% at £64.9/MWh.

Commodity price movements

Oil and coal



- Brent crude oil prices rose 2.5% to average \$69.2/bl.
- Oil prices found support from news that OPEC production cuts had taken the group's output to a four-year low in March. Tighter supplies outweighed news this week that US crude production reached a record 12.2mn bpd.
- Reports of positive outcomes in the previous week's trade talks between the US and China also boosted sentiment, with the US government saying that negotiations were "candid and constructive".
- API 2 coal prices fell 4.3% to average \$70.8/t, dropping to \$68.0/t on 3 April, a 22-month low.
- Coal demand in Asia continues to fall, with Chinese coal imports down from 2.0mn tonnes in January to 1.3mn tonnes in March.

Carbon



- EU ETS carbon prices increased 5.6% to average €22.8/t. Within-day carbon prices peaked at €24.8/t on 4 April, the highest since 24 January.
- Carbon prices were supported this week amid expectations that a no-deal Brexit was increasingly less likely and would keep the UK in the EU ETS until 2021 as part of a transitional period.
- Analysts have speculated that this week's bullish momentum in carbon prices is unsustainable. With gas prices remaining near two-year lows and NW European gas stocks relatively comfortable, coal-fired power generation will act as a marginal power supply.

Supplier tariff movements

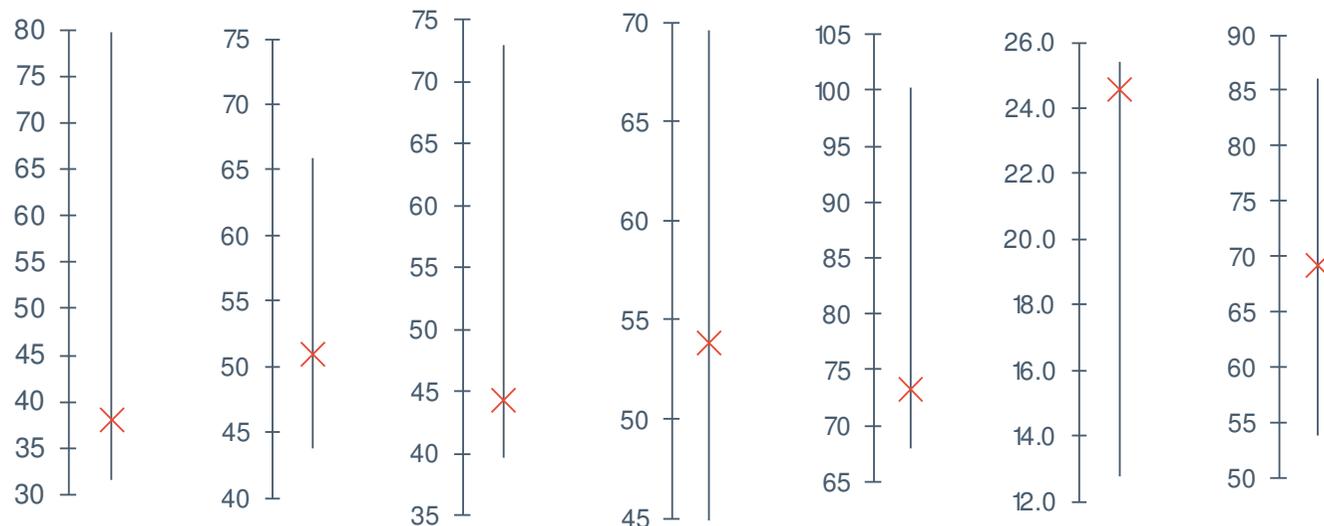
In February, 13 suppliers moved up price bandings with their cheapest dual fuel products, compared to six suppliers in January. This is the first time that Outfox the Market has not had the cheapest or one of the cheapest tariffs in the market following an increase of £66/year due to the removal of its Zapp! Tariff. 11 suppliers moved down one or more price bandings, of which First Utility reduced its cheapest tariff prices by £85/year to below £1,000/year on average. This is the first time since December 2016 that its tariff has been among the cheapest 10 suppliers.



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 Apr 19	38.10	50.99	44.25	53.85	73.25	24.54	69.20
Two weeks ago	29 Mar 19	35.30	47.02	42.00	49.62	72.00	22.25	67.77
Four weeks ago	8 Mar 19	42.75	51.37	48.00	53.29	76.35	23.10	65.13
Last year	6 Apr 18	49.00	43.72	49.90	44.18	77.25	12.75	68.03
Year-on-year %change		-22.2%	16.6%	-11.3%	21.9%	-5.2%	92.5%	1.7%
Year high		79.75	65.85	73.00	69.61	100.15	25.42	86.12
Year low		31.50	43.72	39.65	44.18	68.00	12.75	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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