Energy Wholesale Market Review

Week Ending 7th August 2015

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Contents

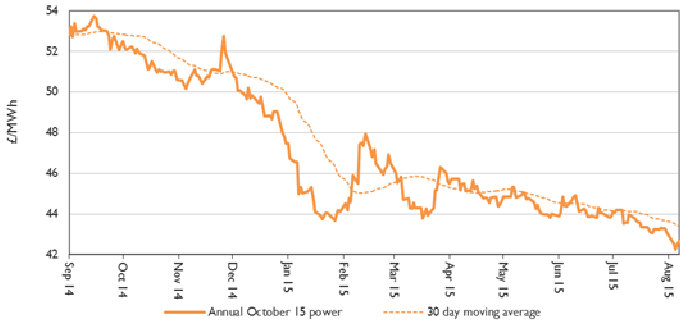
Headlines 07/08/2015

Seasonal gas and power contracts followed oil and coal prices lower this week. Winter 15 gas slipped 2.6% to 44.8p/th, hitting a record low of 44.3p/th on Wednesday. Prices were driven by falling oil prices and a drop in prompt contracts, which fed though to the forward curve. Winter 15 power declined 1.1% to £44.5/MWh. The contract followed its gas counterpart down and was weighed on by declining coal prices. Day-ahead gas tumbled 6.5% to a one-year low of 40.8p/th, as falls in gas demand for power generation and a rise in forecast wind output left the system long. In contrast, day-ahead power rose 3.0% to £42.0/MWh. Brent crude oil curtailed 6.2% to average of $50.1/bl, hitting a six-month low of $49.4/bl on Thursday. A decline in Chinese manufacturing activity and a rise US gasoline stocks indicated a lower demand outlook for crude oil. API coal subsided 1.7% this week to average $55.6/t, sliding to $55.3/t on Friday, the lowest price on our records since January 2006.

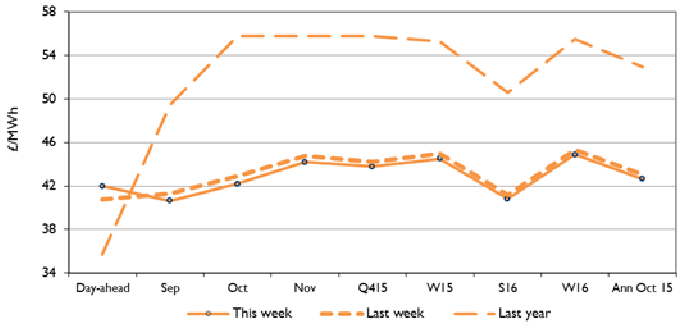
Baseload electricity

- Annual October 15 power was down 1.0% this week to £42.7/MWh, reaching a low of £42.3/MWh on Wednesday.
- Falls followed a decline in its corresponding gas contract, and was additionally weighed on by lower coal prices.
- Except for day-ahead power, all contacts along the forward curve declined.
- The day-ahead contract lifted 3.0% to £42.0/MWh as demand was 3.2% above levels seen last Friday.
- The contract is now 1.2% below its level last month (42.5p/th).

Annual October contract



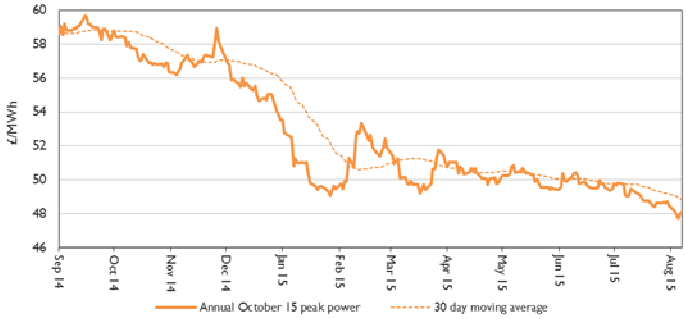
Forward curve comparison



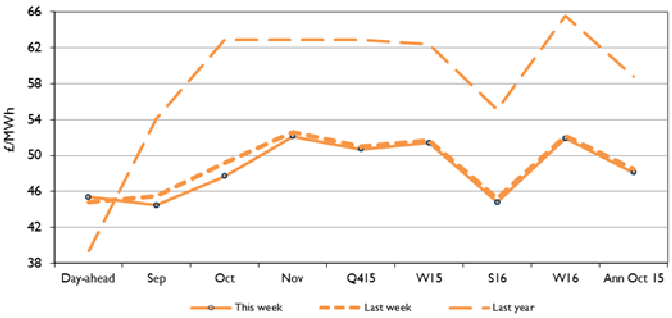
Peak electricity

- The annual October 15 peak power contract dropped 0.8% to £48.1/MWh this week.
- This is due to a drop in corresponding annual baseload power and gas contracts
- The contract is now 18.2% below its level last year (£58.8/MWh).
- Most peak power fell this week.
- Winter 15 peak power dipped just 0.6% to £51.4/MWh. The contract is now 18% less than its level last year (£62.4/MWh).
- In contrast, day-ahead peak power lifted 1.4% to £45.4/MWh, despite average peak demand being down 0.8% to 33.0GW.

Annual October contract

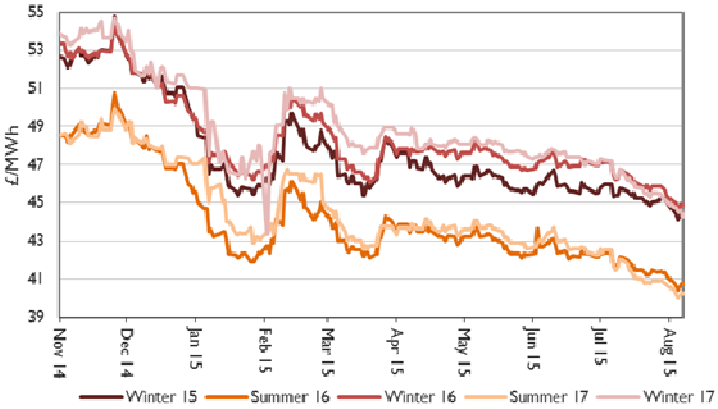


Forward curve comparison

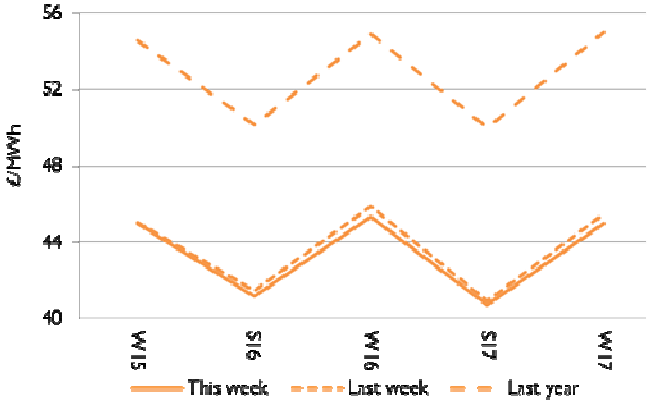


Seasonal power prices

Seasonal power contracts



Seasonal power curve



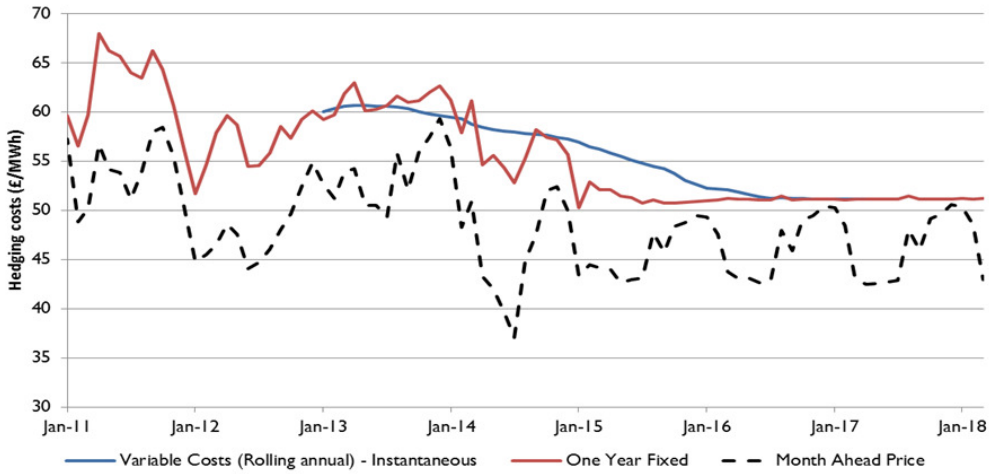
- All seasonal power contracts lowered this week.
- Winter 15 power fell 1.1% to £44.5/MWh, reaching a low of £44.1/MWh on Wednesday.
- The contract followed gas and coal contracts downwards, despite storage levels ahead of winter significantly below those recorded last year.
- Summer 16 power lost 0.9% this week to £40.8/MWh and is now 19.4% below its level last year (£50.6/MWh).
- Winter 16 power dropped 1.0% to £44.9/MWh, The contract is now 19.1% under its level last year (£55.5/MWh).

Supplier hedging strategies

The annual October 15 power contract averaged £43.6/MWh in July, down 1.4% from the June average of £44.2/MWh. The fall owed to a decline in the corresponding annual gas contract and a decreased coal price. Annual October 15 gas was down 2.7% to 44.7p/th in July. Coal prices were down 1.1% in July to average $57.9/t.

There were 20 price changes to fixed domestic dual-fuel tariffs in July. Of these, 15 were reductions and five were increases. Tariff rises were seen at GoEffortless (+4.5% and +6.0%), Scottish Power (+3.2%), First Utility (+0.4%), and Green Star (+0.3%). Decreases were in tariffs belonging to British Gas (-2.4%), Flow (-9.5%), Extra (-1.3%), iSupply (-0.3% and -0.3%), Green Star (-2.6% and -0.6%), First Utility (-1.3%, -3.5% and -0.2%), M&S (-2.1%), npower (-5.4%), GnERGY (-0.7%), Scottish Power (-0.4%) and Sainsburys (-2.8%).

With power and gas prices showing gains in the month, the suppliers seen to be adjusting their prices accordingly are likely to be shorter-hedged. Longer-hedged suppliers are more likely to weather short periods of rising prices.

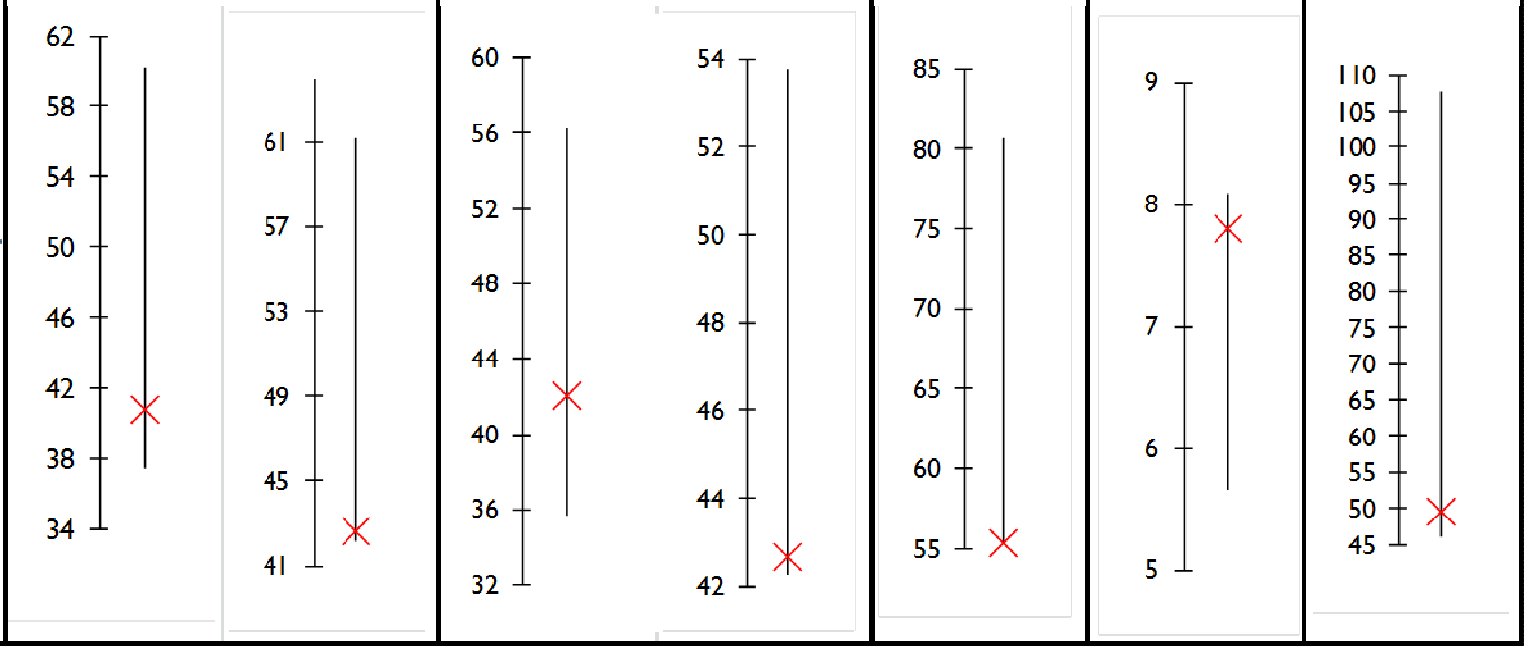


Wholesale price snapshot

Key market indicators: **07/08/2015**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	7 Aug 15	40.80	42.66	42.00	42.65	55.25	7.80	49.49
Last week	31 Jul 15	43.65	43.66	40.76	43.08	56.45	7.87	52.62
Last month	10 Jul 15	44.70	45.53	42.50	43.95	58.50	7.58	59.19
Last year	8 Aug 14	37.50	60.16	35.70	52.95	80.20	5.98	106.49
Year-on-year % change		9%	(29%)	18%	(19%)	(31%)	30%	(54%)
Year high		60.20	61.16	56.30	53.75	80.60	8.09	107.76
Year low		37.40	42.16	35.70	42.25	55.25	5.66	45.98

This table shows the price this week compared with prices from the previous week, month and year. The graphs show the position of this 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 14 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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