

Energy Wholesale Market Review

Week Ending 22nd January 2016



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Headlines 22/01/2016

Falling commodity prices continued to drag seasonal gas and power contracts down this week. Seasonal gas contracts dropped on the back of lower oil prices, with summer 16 gas down 1.6% to 28.2p/th. Power contracts followed their gas counterparts, with summer 16 power slipping 0.9% to £32.1/MWh. Seasonal gas and power contracts are currently at their lowest levels since 2007. Spot gas and power contracts also fell. Day-ahead gas dropped 7.7% to 29.8p/th, hitting a five-year low of 29.3p/th on Thursday, as increased supplies outweighed higher demand levels. Day-ahead power slid 17.4% to £33.3/MWh, despite hitting a nine-month high of £48.40/MWh on Monday. Brent crude oil trimmed 6.7% to average \$29.1/bl as international sanctions on Iran were lifted last weekend, with the country insisting they will boost oil output levels immediately. EU ETS carbon plunged 9.1% to average €6.5/t, hitting a 15-month low of €6.0/t on Thursday.

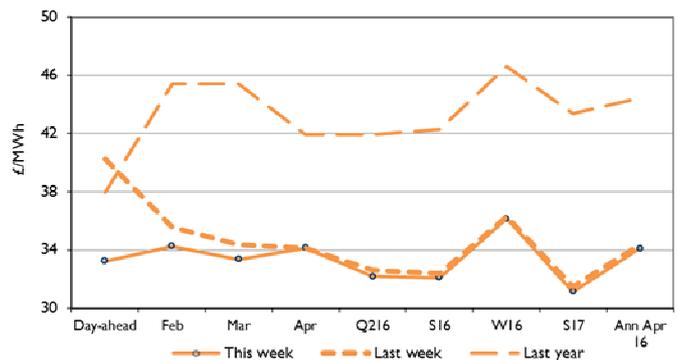
Baseload electricity

- Annual April 16 power fell 0.7% to £34.1/MWh this week, 7.2% under its value last month (£36.3/MWh). The contract hit a fresh low of £33.3/MWh on Thursday, and was the lowest price of any annual contract since 2007.
- Falls oil, coal and gas prices have continued to feed into UK power contracts, while lower carbon prices have additionally weighed on prices.
- All power contracts dropped this week.
- Day-ahead power rose to a nine-month high of £48.40/MWh on Monday, as low wind output combined with high demand levels narrowed supply margins. However, the contract showed an overall decrease of 17.4% to £33.3/MWh, as wind output picked up and milder temperatures are forecast for next week.
- Month-ahead power fell 3.7% to £34.3/MWh.

Annual April contract



Forward curve comparison



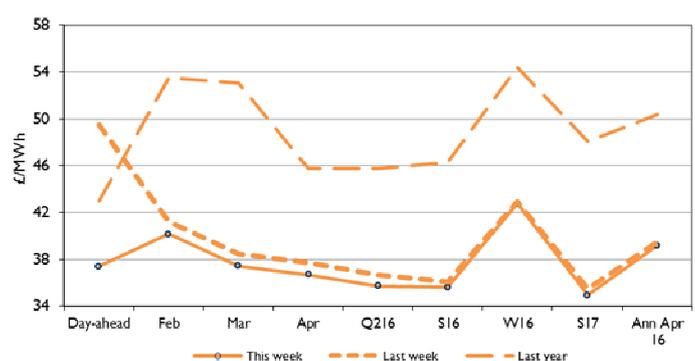
Peak electricity

- Annual April 16 peak power dropped 0.8% this week to £39.2/MWh, following its baseload counterpart lower.
- The contract is now 6.9% lower than its level last month (£42.1/MWh) and 22.2% under its level last year (£50.4/MWh).
- All peak power contracts decreased this week.
- The peak day-ahead power contract fell 24.4% as supply margins are forecast to be comfortable early next week. However, the contract hit a near two-year high of £63.5/MWh on Monday.
- Month-ahead peak power fell 2.5% to £40.2/MWh.

Annual April contract



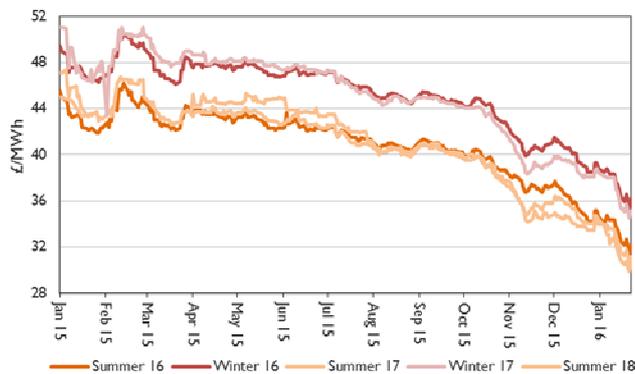
Forward curve comparison



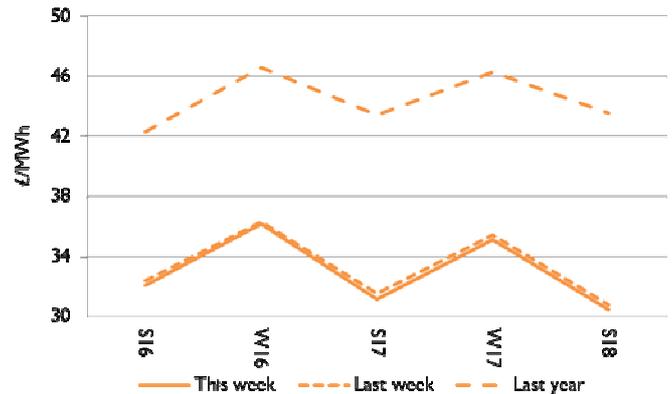


Seasonal power prices

Seasonal power contracts



Seasonal power curve



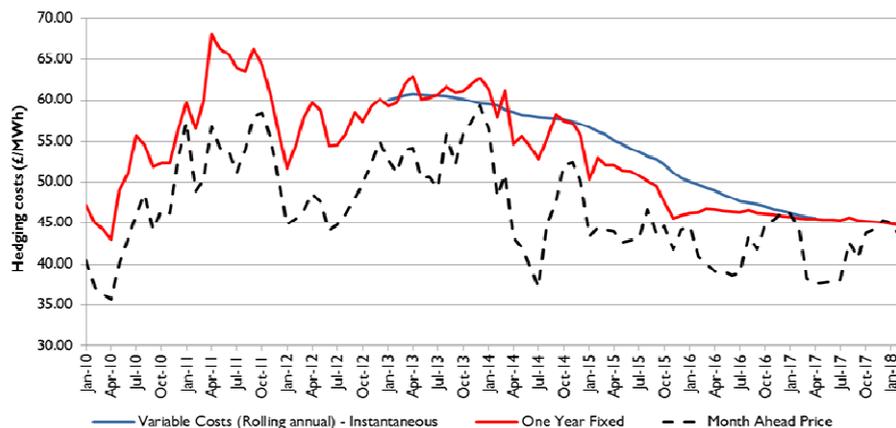
- All seasonal power contracts declined this week.
- Summer 16 power slipped 0.9% to £32.1/MWh, and hit a new low of £31.4/MWh on Thursday. The contract is now 6.1% under its value a month ago (£34.2/MWh), and 24.1% under its level a year ago (£42.3/MWh).
- The winter 16 contract decreased 0.4% to £36.2/MWh and summer 17 power trimmed 1.1% to £31.2/MWh.
- Seasonal power contracts are currently at their lowest levels since 2007, as falling commodity prices have continued to feed into the UK power market. With coal and oil prices at their lowest levels in more than a decade, and gas prices at 9-year lows, power contracts have received little support.
- Backwardation also remains in the power market.

Supplier hedging strategies

The annual April 16 power contract fell 3.3% to average £37.8/MWh in December, reaching a record low of £36.3/MWh on 24 December. The contract followed its gas counterpart lower, with annual April 16 gas slipping 5.2% to average 35.0p/th. Annual power and gas contracts reached their lowest levels since March 2010 and remained under pressure from oil and coal prices which fell to record lows during the month. Brent crude oil tumbled 15.8% to average \$39.1/bl, hitting an 11-year low of \$36.4/bl on 22 December. Coal prices fell 5.1% to average \$44.6/t.

There were 16 price changes to fixed domestic dual-fuel tariffs in December. Of these, 9 were reductions and 7 were increases. Some notable tariff decreases were seen at Extra Energy (-2.6%), British gas (-5.2%), Green Star Energy (-2.0%) and GNERGY (-5.6%). The only notable rises were in tariffs belonging to Extra Energy (+4.0%) and First utility (+1.2%). All other tariff rises were below 1.0%.

Annual power and gas contracts continued their downward trend in December. Lower wholesale power and gas prices have allowed suppliers to offer a greater number of lower fixed term deals, with those now offering lower prices more likely to be shorter-hedged, passing on wholesale price reductions through their tariffs.





Wholesale price snapshot

Key market indicators:

22/01/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	22 Jan 16	29.80	30.48	33.25	34.13	39.00	6.41	30.86
Last week	15 Jan 16	32.30	30.72	40.25	34.35	37.80	6.79	29.64
Last month	23 Dec 15	31.00	33.26	28.78	36.75	43.90	8.33	36.56
Last year	23 Jan 15	45.00	46.17	38.00	44.45	58.75	6.92	49.01
Year-on-year % change		(34%)	(34%)	(13%)	(23%)	(34%)	(7%)	(37%)
Year high		54.75	52.22	48.40	48.33	64.20	8.64	68.94
Year low		29.30	29.46	26.56	33.31	37.80	6.14	27.83

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 15 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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