Energy Wholesale Market Review

Week Ending 15th July 2016

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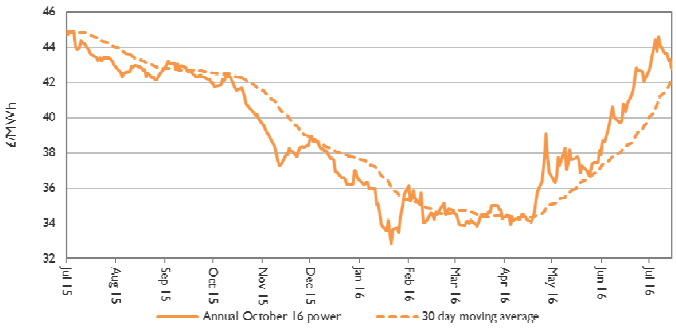
Headlines 15/07/2016

Most power and gas contracts moved lower again this week. An exception was day-ahead power which jumped 9.7% to £39.4/MWh, amid a failure with the IFA interconnector which reduced flows and limited supplies. Day-ahead gas decreased 2.7% to 33.0p/th, despite a rise in national system gas demand and a decrease in temperatures. On average seasonal gas contracts declined 2.5%, with winter 16 gas down 2.6% to 43.3p/th. Week-on-week Brent crude oil rose 0.8% to $46.9/bl, however on average prices lost 3.6% to average $47.0/bl. On Monday prices dropped to $46.3/bl, a new two-month low, after US producers increased the number of active rigs to the highest since April. API 2 coal experienced gains, up 1.7% to $59.0/t. Week-on-week EU ETS carbon climbed 4.5% to €4.7/t, but on average carbon prices fell 0.5% to €4.7/t. Carbon prices have fallen almost 20% since the UK voted to leave the EU on 23 June on fears the country, could also leave the bloc's Emission Trading System.

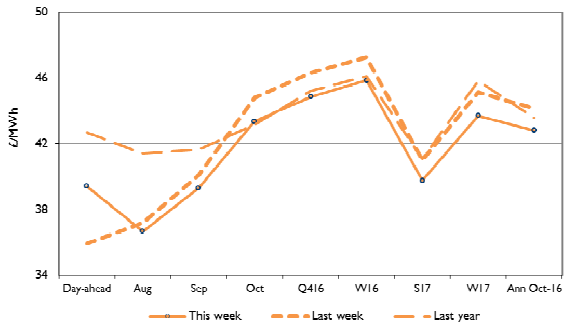
Baseload electricity

- Annual October 16 declined 3.0% to £42.8/MWh this week.
- The contract is now 5.0% above its level last month (£40.8/MWh), but 1.8% below its value last year (£43.6/MWh).
- Most baseload power contracts experienced losses this week. The only exception was day-ahead power which gained 9.7% to £39.4/MWh.
- The month-ahead contract (August) went down 1.5% to £36.7/MWh, 11.5% lower than the same period last year (£41.4/MWh).

Annual October contract



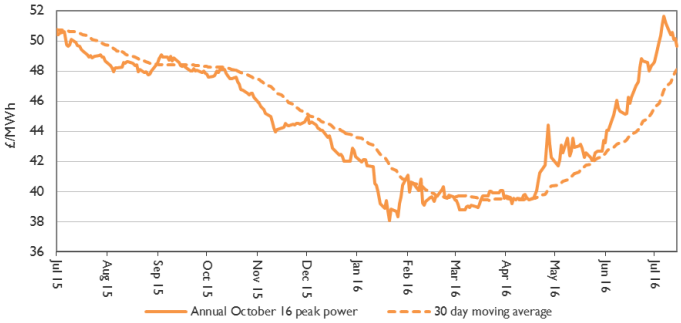
Forward curve comparison



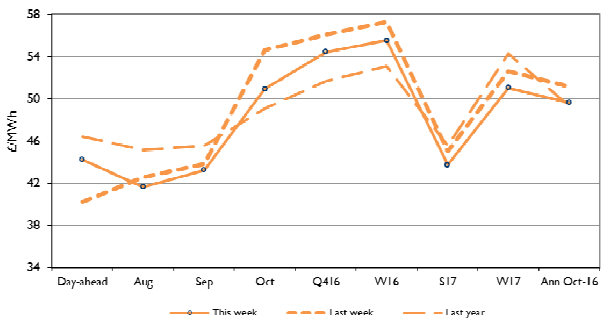
Peak electricity

- Annual October 16 peak power declined 2.9% this week to £49.7/MWh. There was a decrease in both the winter and summer contracts.
- The contract is now 7.3% above its level last month (£46.3/MWh), and 0.7% above its level last year (£49.3/MWh).
- Most peak power contracts experienced losses this week.
- The only exception was day-ahead peak power which jumped 9.9% to £44.3/MWh, with decreased wind power and higher demand.
- This week the maximum demand peak of 35.1GW occurred on Tuesday 12 July. Month-ahead peak power declined 2.1% to £41.7/MWh.

Annual April contract

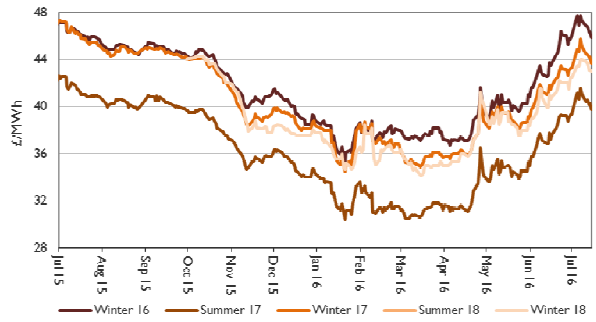


Forward curve comparison

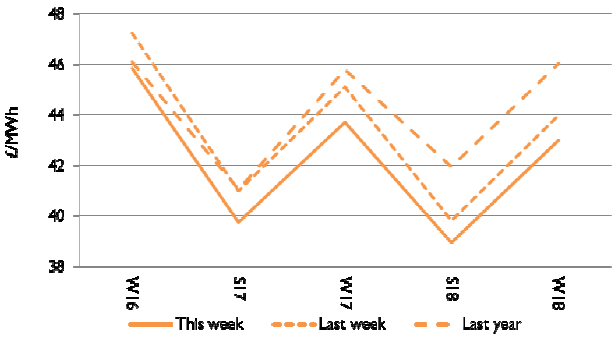


Seasonal power prices

Seasonal power contracts



Seasonal power curve



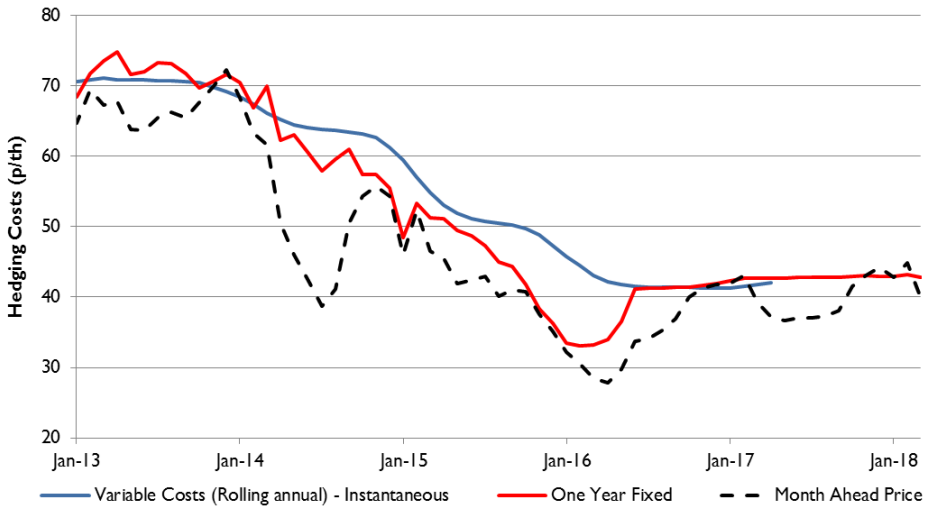
- All seasonal peak-power contracts moved lower this week. Winter 16 peak power went down 3.1% to £55.6/MWh, 8.4% above last month's levels (£51.3/MWh), and 4.6% higher than last year's level (£53.1/MWh).
- Summer 17 lost 2.8% to £43.8/MWh. Prices are now 5.9% above the level they were a month ago (£41.3/MWh), but 4.0% below the same period last year (£45.6/MWh).

Supplier hedging strategies

Power and gas contracts rose to multi-month highs in June. The annual October 16 power contract jumped 9.2% to average £40.8/MWh, reaching a nine-month high of £42.9/MWh on 23 June. Annual October 16 gas lifted 8.8% to average 37.3p/th, hitting an eight-month high of 41.5p/th on 24 June. Prices were led by recoveries in commodity prices. Brent crude oil gained 4.9% to average $49.9/bl, and API 2 coal grew 14.9% to $53.9/t.

There were 35 price changes to fixed domestic dual-fuel tariffs in June. Of these, seven were reductions and 28 were increases. Some notable tariff decreases (<4.0%) were seen from Robin Hood Energy (-5.9%), and SSE (-4.1%). Notable increases (>4.0%) were seen at First Utility (three tariffs up +17.4%, +9.7% and +6.1%), Go Effortless Energy (+4.2%), EDF (+5.2%, +4.3% and +7.0%), Ovo Energy (+7.6% and +7.1%), EnergySW (+5.0% and +6.8%), Southend Energy (+13.0% and +12.1%), Peterborough Energy (+10.0%), Fairer Power (+8.3%), GnERGY (+4.7%), Zog Energy (+7.1%), and GB Energy Supply (+6.1%).

Increased wholesale power and gas prices are now feeding into domestic retail tariffs. June therefore experienced a larger-than-normal number of tariff changes, many of which showed substantial gains.

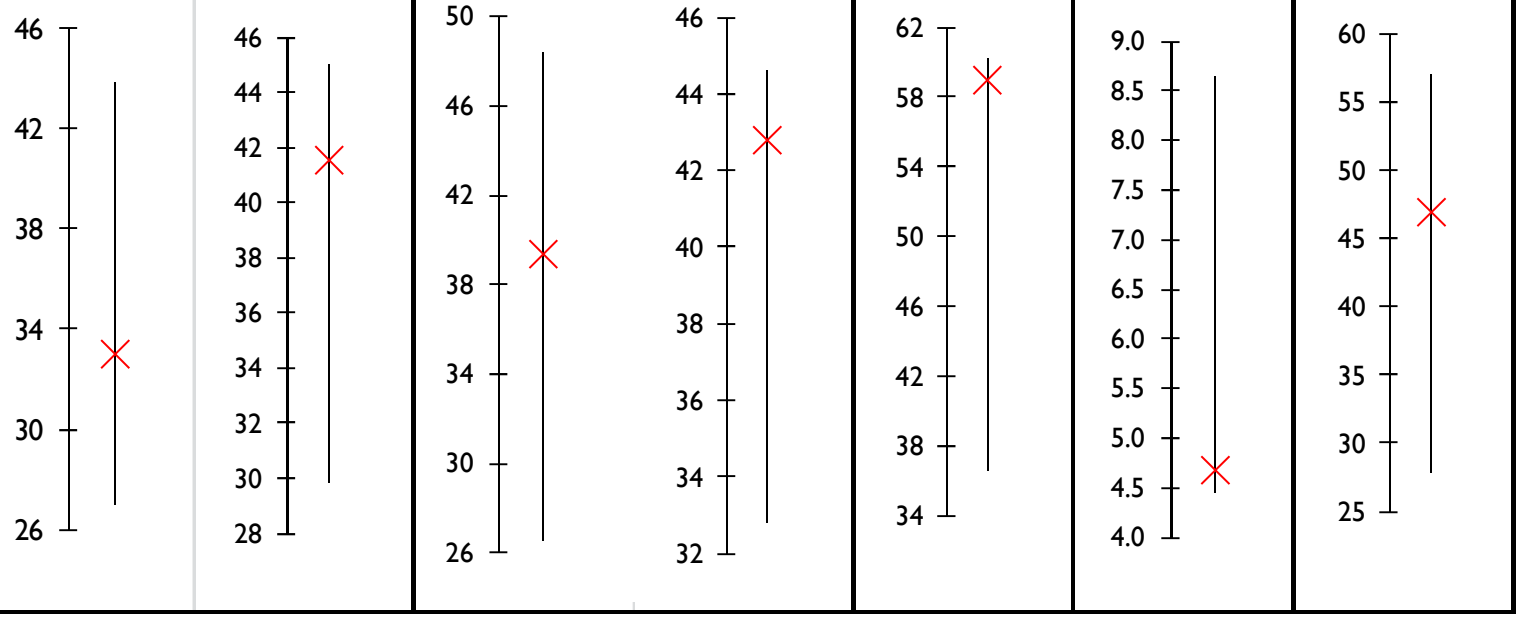


Wholesale price snapshot

Key market indicators: 15/07/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	15 Jul 16	33.00	41.51	39.40	42.80	59.00	4.68	46.91
Last week	8 Jul 16	33.90	42.77	35.90	44.13	58.00	4.48	46.53
Last month	17 Jun 16	34.50	39.00	36.30	40.78	54.95	5.72	48.03
Last year	17 Jul 15	43.75	45.06	42.66	43.58	57.70	7.66	57.04
Year-on-year % change		(25%)	(8%)	(8%)	(2%)	2%	(39%)	(18%)
Year high		43.80	45.06	48.40	44.63	60.25	8.64	57.04
Year low		27.00	29.88	26.56	32.84	36.55	4.45	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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