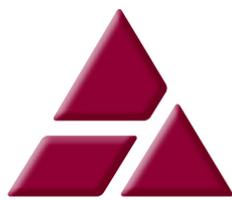




Energy Wholesale Market Review

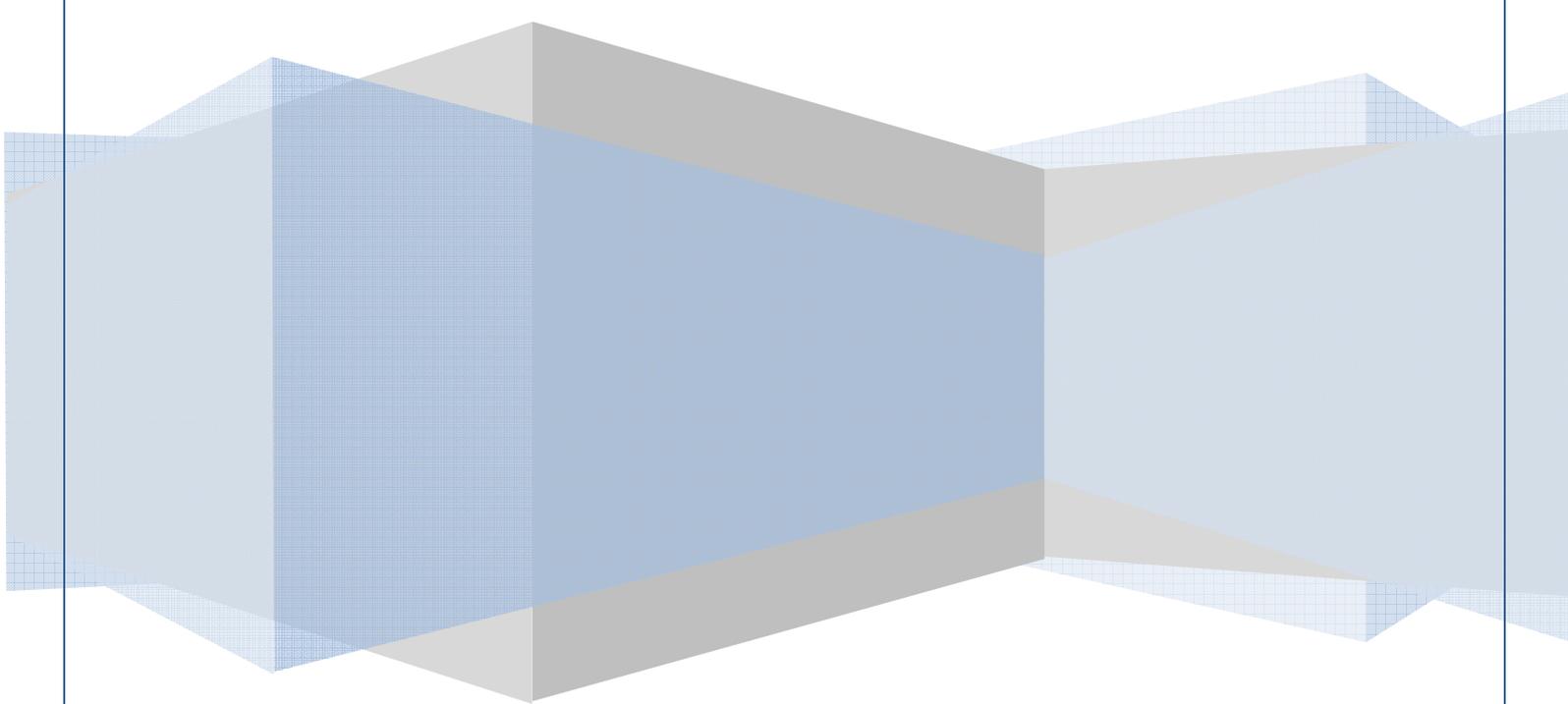
Week Ending 2nd December 2016



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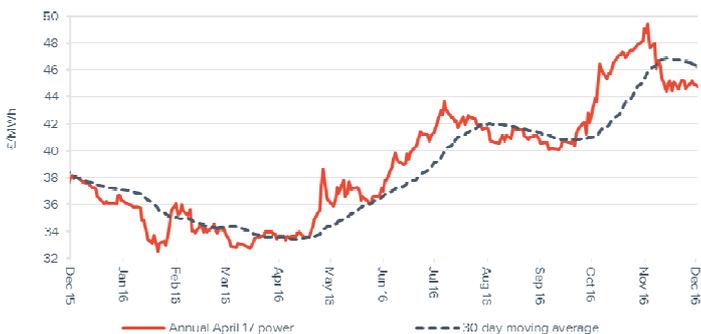
Headlines 02/12/2016

Day-ahead contracts were up this week, with higher gas and power demand levels amid colder temperatures. The day-ahead baseload power contract rose 41.4% to £69.9/MWh. Day-ahead gas went up 2.4% to 48.7p/th. Contracts moved forward this week. Other near-term contracts declined, the new month-ahead (January) baseload power contract fell 11.6% to £60.4/MWh. The January 17 gas contract lost 0.8% to 47.6p/th, upon news that withdrawals from Rough gas storage site will restart no later than 9 December, with the prospect of increased supplies for the coming winter. Brent crude oil prices gained 2.5% this week to average \$50.0/bl. On Thursday, Brent crude oil reached \$54.3/bl, its highest price since July 2015, on the back of an OPEC agreement to cut production. API 2 coal prices increased 1.2% this week to average \$66.2/t. EU ETS carbon prices lost 14.6% to average €4.6/t. Prices remain significantly lower than their level this time last year, which was €8.5/t. On Friday, prices dropped to a new ten-week low of €4.4/t.

Baseload electricity

- The day-ahead contract rose 41.4% to £69.9/MWh, with higher demand forecast for Monday.
- Annual April 17 power went up 0.2% to £44.7/MWh this week.
- The contract is now 6.1% below its level last month (£47.7/MWh), but 17.4% higher than its value last year (£38.1/MWh).
- Other near-term baseload power contracts experienced losses this week, despite higher power demand levels.
- Contracts moved forward this week. The new month-ahead contract (January) fell 11.6% to £60.4/MWh.

Annual April contract



Forward curve comparison



Peak electricity

- Annual April 17 peak power slipped 0.7% this week to £51.6/MWh.
- The contract is now 7.6% under its level last month (£55.9/MWh), but 16.9% above the same time last year (£44.2/MWh).
- Most near-term peak power contracts experienced losses this week.
- The new month-ahead contract was down 25.3% to £87.8/MWh.

Annual April contract



Forward curve comparison





Seasonal power prices

Seasonal power contracts



Seasonal power curve



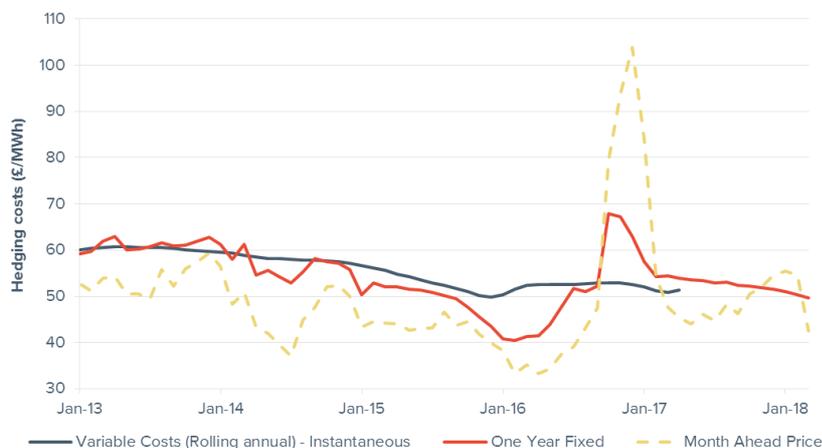
- Most seasonal peak-power contracts also experienced losses.
- Summer 17 peak power decreased 0.4% to £46.7/MWh, while the winter 17 contract went down 1.0% to £56.6/MWh.
- Winter 17 baseload power gained 0.5% to £47.1/MWh, whereas the summer 18 baseload contract slipped 0.6% to £38.6/MWh.

Supplier hedging strategies

In November, most near-term power and gas contracts experienced gains. The annual April 17 gas contract moved slightly higher, up 0.1% to 45.3p/th. The annual April 17 baseload power contract slipped 1.1% to £46.0/MWh. In contrast, generally seasonal contracts fell. Brent crude oil prices dropped 8.4% to average \$47.2/bl, whilst API 2 coal gained 5.2% to \$70.3/t.

There were 46 price changes to fixed domestic dual-fuel tariffs in November, 41 of which were increases and 5 were reductions. Nearly all of the suppliers making price increases were independent suppliers, which relates to the use of a shorter-hedged strategy and rising wholesale costs.

The one-year fixed price shown below (red line) provides a fixed hedging cost for one year from the month after the month in question, based on the forward curve. This measure is used to create a benchmark for fixed tariff offers put into the market by suppliers. The instantaneous price (blue line) is representative of the hedging strategies of large suppliers, which typically purchase energy little and often to be consumed in a future period. Therefore, the instantaneous price shows a 'longer-hedged' strategy of buying power up to the current date, whereas the red line shows a 'shorter-hedged' strategy for a 12-month period looking forwards. Over the past two years it has been cheaper to use the shorter-hedged strategy as wholesale power prices have steadily declined. However, since July 2016 the longer-hedged strategy has been cheaper.





Wholesale price snapshot

Key market indicators: 02/12/2016

	Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 2 Dec 16	48.65	44.60	69.90	44.73	66.00	4.41	53.46
Last week 25 Nov 16	47.50	44.44	49.45	44.62	65.00	4.98	48.48
Last month 4 Nov 16	50.30	47.89	93.00	47.65	77.00	6.52	46.63
Last year 4 Dec 15	37.40	37.02	37.70	38.10	45.65	8.54	43.23
Year-on-year % change	30.1%	20.5%	85.4%	17.4%	44.6%	-48.4%	23.7%
Year high	53.80	48.63	157.73	49.45	78.00	8.54	53.54
Year low	21.50	30.11	26.56	32.47	36.55	3.98	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 16 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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