Energy Wholesale Market Review

Week Ending 24th July 2015

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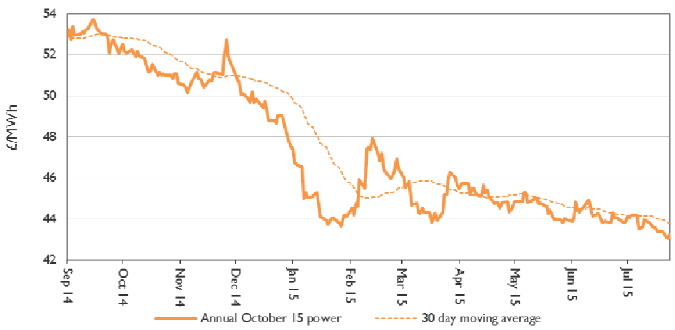
Headlines 24/07/2015

Seasonal gas and power contracts decreased to reach new lows this week, as contracts followed oil and coal prices downwards. Winter 15 gas was down 1.5% to 46.0p/th this week, and fell to 45.7p/th on Thursday afternoon, the lowest winter contract price since 2010. Falls were pressured as the Oil and Gas Authority approved an additional 15bcf of storage at Rough with immediate effect. Day-ahead gas fell 3.1% to 42.4p/th as Norway's Troll gas field and the St Fergus gas terminal returned after ongoing outages. Winter 15 power dropped 0.4% to £45.1/MWh, falling to £44.8/MWh on Thursday afternoon. An unexpected rise in US crude oil inventory levels and a contraction of the Chinese economy weighed on oil prices. Brent crude oil fell 2.3% to average \$56.2/bl. EU ETS carbon rose to €8.0/t, reaching €8.1/t on Thursday, the highest price since November 2012. API coal dropped 0.9% to average \$57.5/t, and hit an eight-week low of \$56.9/t on Friday.

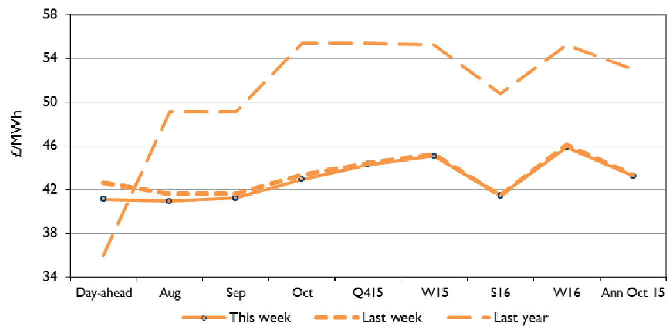
Baseload electricity

- Annual October 15 power was 0.2% lower this week at £43.3/MWh, and is 1.7% below its level last month (£43.9/MWh).
- The contract hit its lowest price to date on Thursday afternoon at £43.0/MWh. Contracts followed coal, oil and gas contracts lower.
- Most power contracts followed gas contracts lower, averaging a 0.9% fall across all contracts.
- However, the day-ahead contract dropped 3.5% to £41.2/MWh as forecast wind generation sharply increased.

Annual October contract



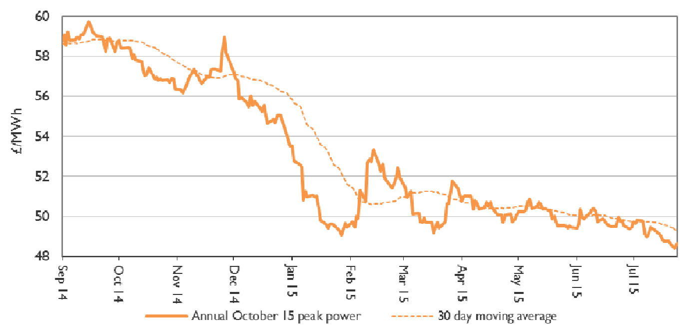
Forward curve comparison



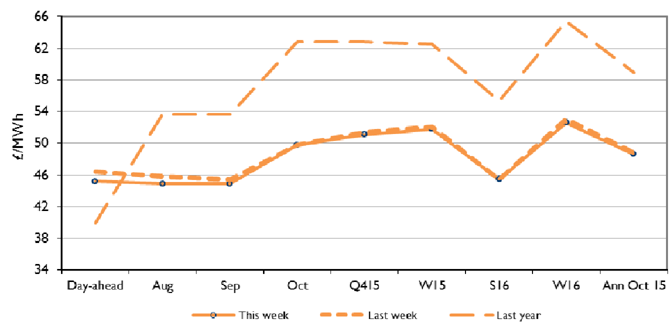
Peak electricity

- The annual October 15 peak contract lowered 0.3% to £48.6/MWh. The contract is now 17.4% under its level last year (£58.9/MWh).
- Most peak power contracts along the forward curve were decreased this week.
- Winter 15 peak power dropped 0.5% to £51.8/MWh.
- Day-ahead peak power lost 2.7% this week to £45.2/MWh as peak demand was down 2.3%.

Annual October contract

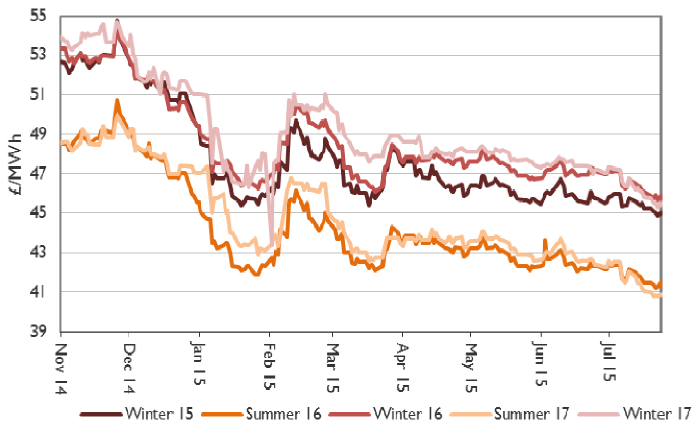


Forward curve comparison

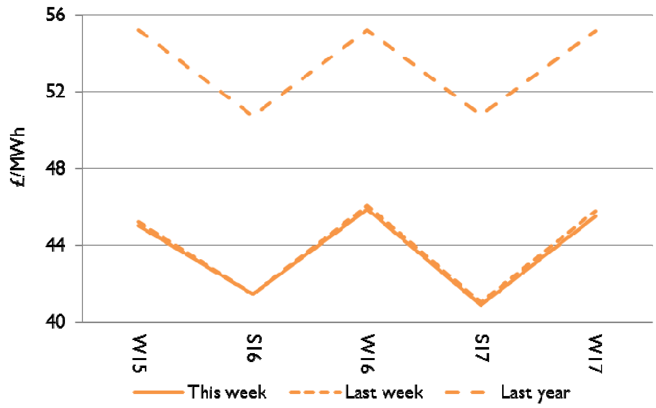


Seasonal power prices

Seasonal power contracts



Seasonal power curve



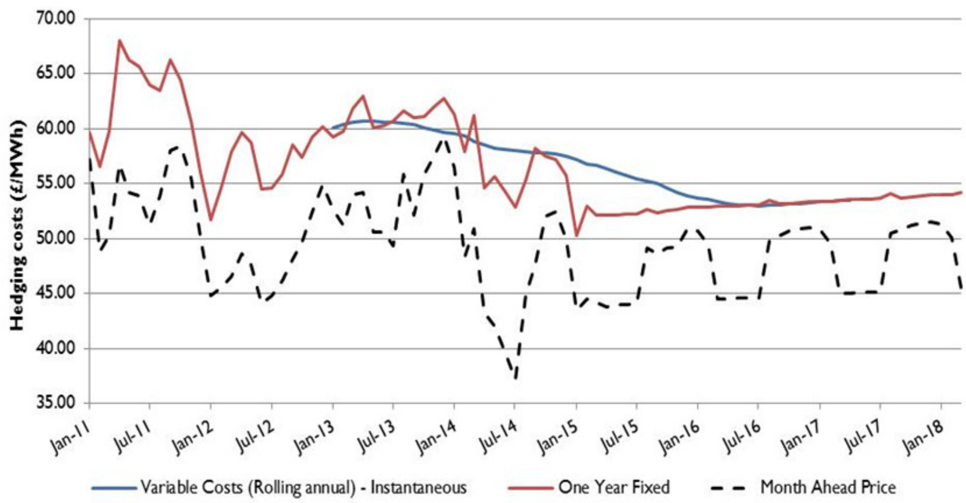
- Falls in coal oil and gas continued to influence power contracts. Drops averaged 0.4%.
- Winter 15 power fell 0.4% to £45.1/MWh, reaching its lowest value to date on Thursday afternoon of £44.8/MWh.
- The summer 16 contract was unchanged this week at £41.5/MWh and is now 18.3% under its level last year (£50.8/MWh).
- Winter 16 power lost 0.4% to £45.9/MWh, reaching a record low on Thursday afternoon of £45.6/MWh.

Supplier hedging strategies

The annual October 15 power contract increased 2.3% in March, driven by rises in gas and carbon prices. The corresponding annual gas contract climbed 3.2% and carbon prices were up 2.5% over the same period. Power prices gained despite a decline in coal prices of 6.9%.

Some small suppliers put their prices up in March, with fixed tariff increases seen at Ovo (+5.2%), Green Star (+3.2%), and First Utility (+1.5%), among others. Activity in the Big Six was mixed, with npower (+2.6%) and Scottish Power (+3.4%) setting their prices higher, but EDF Energy and SSE announced decreases of 5.3% and 5.5% respectively.

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.

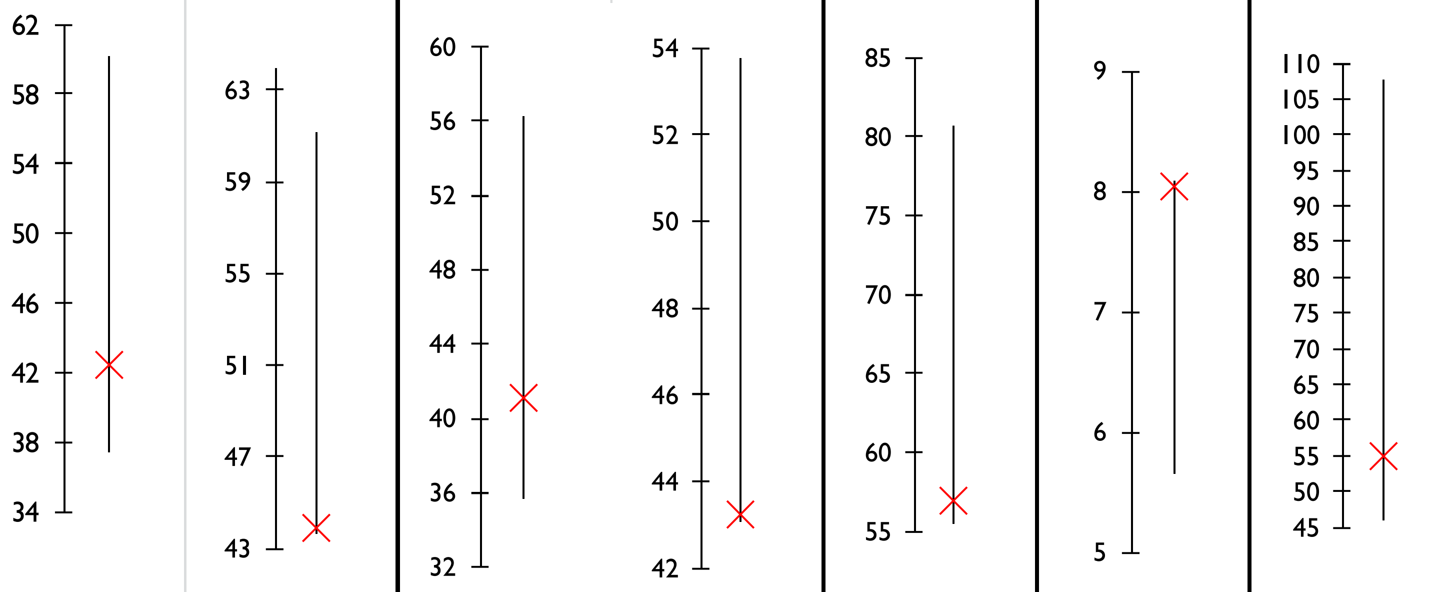


Wholesale price snapshot

Key market indicators: 24/07/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	24 Jul 15	42.40	43.90	41.15	43.25	56.90	8.04	54.82
Last week	17 Jul 15	43.75	44.41	42.66	43.35	57.70	7.66	57.04
Last month	26 Jun 15	43.75	45.62	42.45	44.00	59.90	7.57	63.02
Last year	25 Jul 14	37.45	60.47	36.00	53.00	77.95	6.07	107.21
Year-on-year % change		13%	(27%)	14%	(18%)	(27%)	32%	(49%)
Year high		60.20	61.16	56.30	53.75	80.60	8.09	107.76
Year low		37.40	43.62	35.70	43.05	55.40	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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