Energy Wholesale Market Review

Week Ending 31st July 2015

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Contents

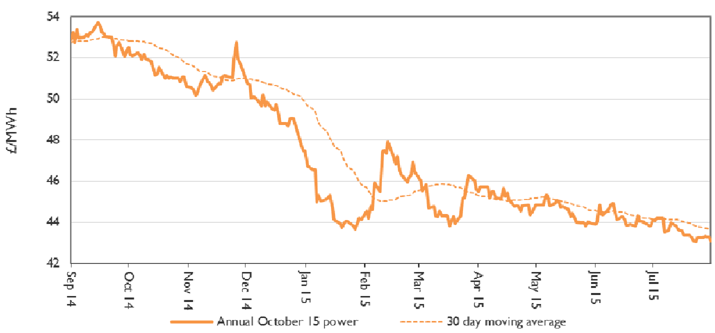
Headlines 31/07/2015

Seasonal gas and power contacts decreased this week, following oil and coal prices lower. Winter 15 gas dropped 0.1% to 56.0p/th. The contract initially rose as storage restrictions at the Rough facility were announced to last until the end of summer 2016, before falling back down with lower oil prices. The winter 15 power contract followed gas and coal prices down, slipping 0.1% to £45.0/MWh. In contrast, day-ahead gas rose: the contact lifted 2.9% to average 43.7p/th, as lower Norwegian imports and higher injections into storage on Friday increased prices. Brent crude oil dropped 5% to average $53.4/bl, reaching a six-month low on Tuesday of $52.9/bl. A further contraction of the Chinese stock market and OPEC announcing they are not cutting production levels pushed prices higher. API coal followed oil down, slipping 1.5% to $56.6/t, reaching a fifteen-week low of $56.35/t on Tuesday.

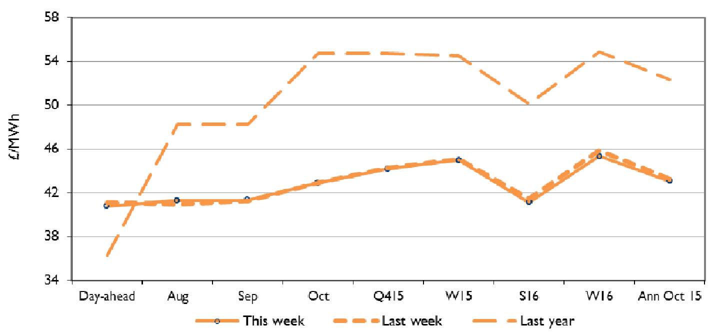
Baseload electricity

- Annual October 15 power was down 0.4% lower this week to £43.1/MWh, and is 2.5% below its level last month (£44.2/MWh).
- The contract followed falls in both coal and gas contracts.
- Most power contracts followed gas contracts lower, with falls averaging a modest 0.3%.
- The day-ahead contract dropped 0.9% to £40.8/MWh as forecast wind generation rose on Friday, peaking at 3.4GW.

Annual October contract



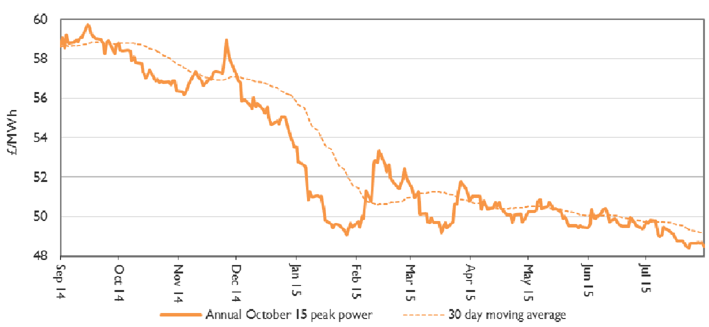
Forward curve comparison



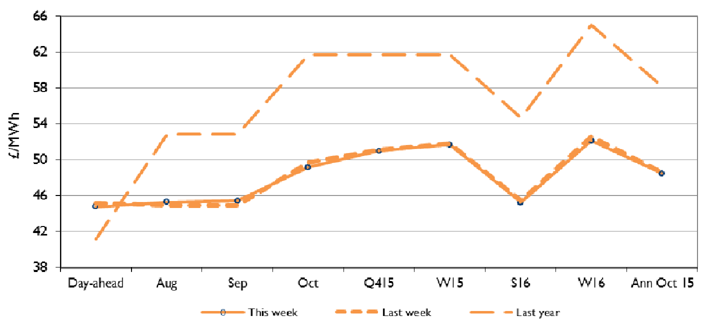
Peak electricity

- The annual October 15 peak power contract slipped 0.3% to £48.5/MWh, following annual baseload power and gas contracts lower.
- The contract is now 16.7% below its level last year (£58.2/MWh).
- Most peak power contracts along the forward curve showed small decreases this week.
- Winter 15 peak power dipped just 0.2% to £51.7/MWh.
- Day-ahead peak power fell 0.9% to £44.8/MWh as average peak demand was down 1.7% compared to last week.

Annual October contract

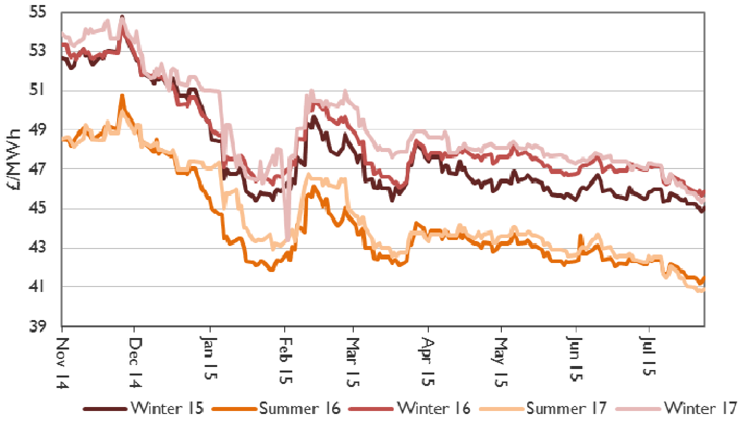


Forward curve comparison

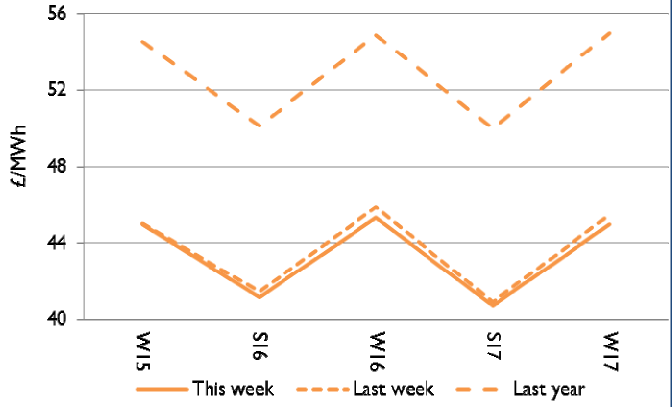


Seasonal power prices

Seasonal power contracts



Seasonal power curve



- All seasonal contracts experienced small falls this week.
- Winter 15 power fell 0.1% to £45.0/MWh.
- The contact initially increased, reaching £45.30/MWh, following rises in gas prices, before falling back down.

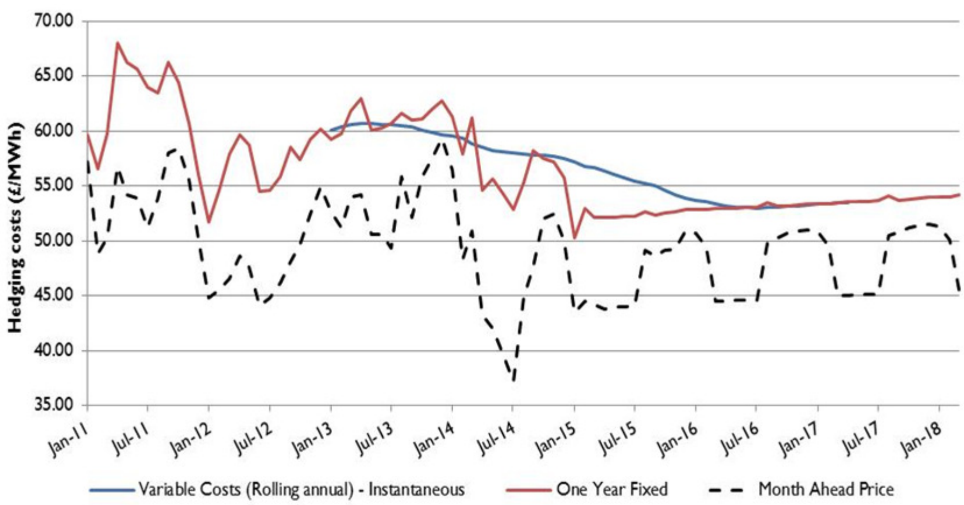
- Summer 16 power lost 0.7% this week to £41.2/MWh and is now 17.9% under its level last year (£50.2/MWh).
- Winter 16 power decreased 1.2% to £45.4/MWh, The contract is now 17.4% below its level last year (£54.9/MWh). Drops averaged a modest 0.7%.

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.

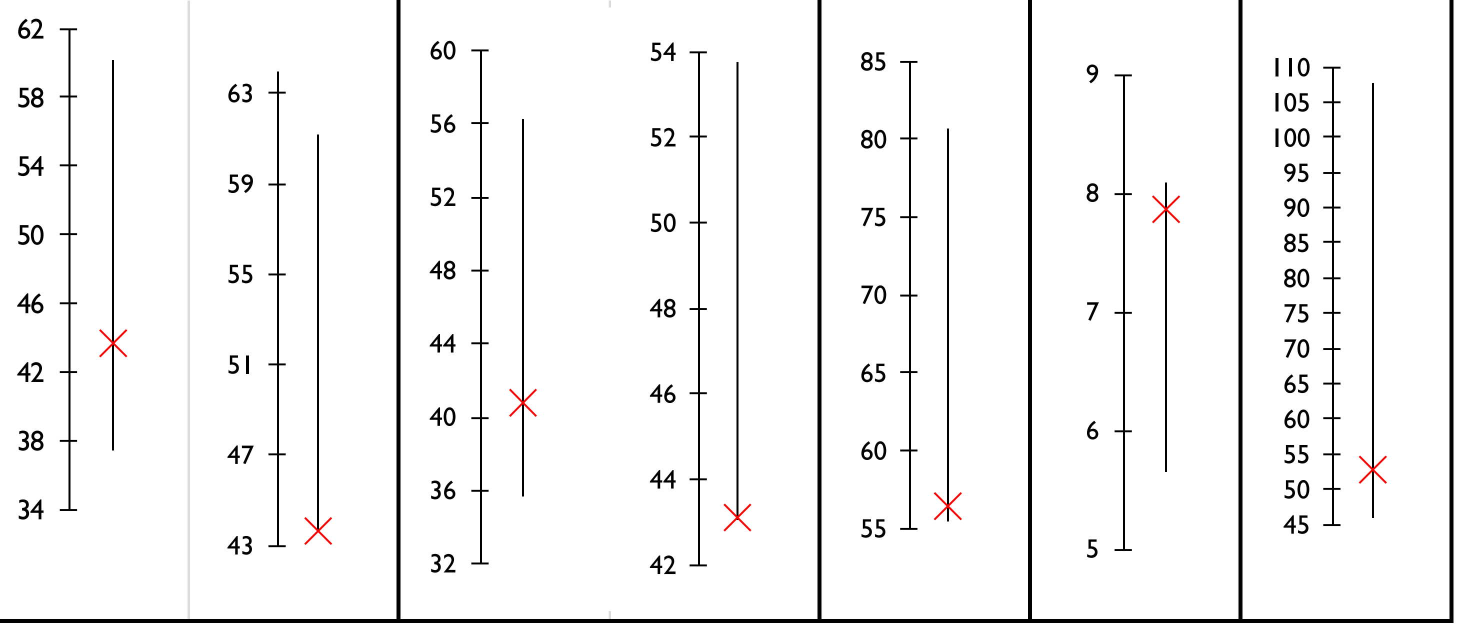


Wholesale price snapshot

Key market indicators: 31/07/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	31 Jul 15	43.65	43.66	40.76	43.08	56.45	7.87	52.62
Last week	24 Jul 15	42.40	43.90	41.15	43.25	56.90	8.04	54.82
Last month	3 Jul 15	43.70	45.94	42.30	44.20	59.25	7.45	61.67
Last year	1 Aug 14	39.65	59.42	36.30	52.35	78.75	6.30	106.07
Year-on-year % change		10%	(27%)	12%	(18%)	(28%)	25%	(50%)
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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