Energy Wholesale Market Review

Week Ending 21st August 2015

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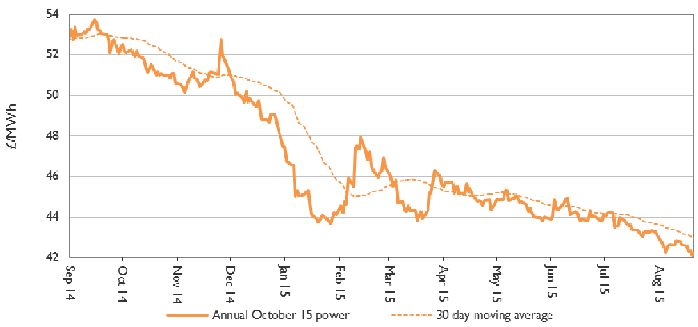
Headlines 21/08/2015

High supplies, low demand and declining prices were the major themes of this week's report. All gas contracts along the forward curve fell this week, with day-ahead gas down 6.5% to 38.0p/th, hitting a one-year low of 37.8p/th mid-week. Greater LNG imports—up 64.7%—were the main contributor weighing on the contract. Winter 15 gas slipped 1.8% to 43.7p/th, as declining prompt prices fed through to the forward curve. Day-ahead power tumbled 7.7% to £38.7/MWh, an eight-month low, driven by lower gas prices. Furthermore, winter 15 power hit a fresh-low of £43.7/MWh, ending the week at £43.9/MWh, as curtailing coal prices pulled the contract lower. Brent crude oil subsided 3.4% to average $47.8/bl, reaching a low of $45.3/bl on Friday afternoon, the lowest price since February 2009. API coal slid 2.5% to average $53.1/t, and was down to $52.5/t on Thursday, the lowest price in over a decade. EU ETS carbon lifted to €8.3/t mid-week, and averaged €8.3/t.

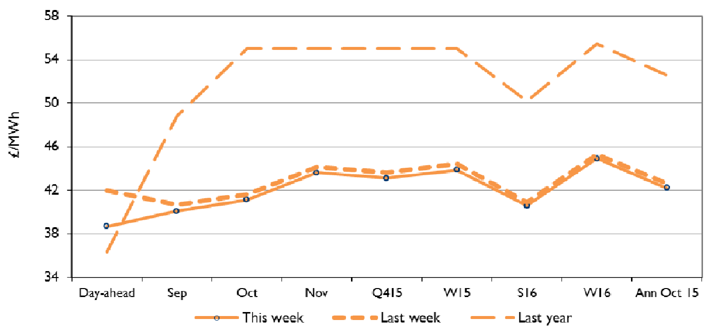
Baseload electricity

- Annual October 15 power declined 1.0% to £42.2/MWh, and is now 2.4% below its level last month (£43.3/MWh).
- A drop in the contract was primarily owed to a fall in its gas counterpart (-1.7%) and lower coal prices (-2.5%).
- All power contracts along the forward curve fell this week.
- Day-ahead power slipped 7.7% to £38.7/MWh, an eight-month low, as falls in gas prices and high forecast wind generation at the end of the week weighed on prices.

Annual October contract



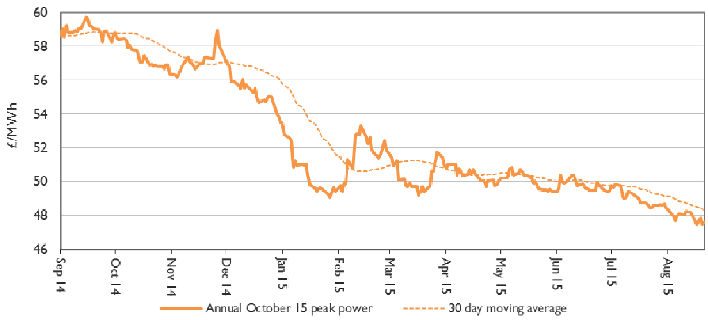
Forward curve comparison



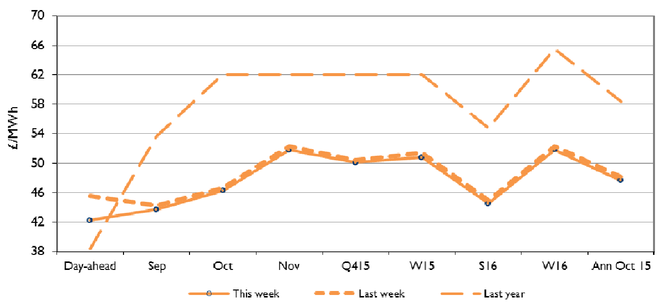
Peak electricity

- The annual October 15 peak power contract dropped 1.0% this week to £47.6/MWh.
- The contract fell alongside its corresponding baseload power contract, with lower gas prices being the primary driver.
- The contract is now 18.4% below its level last year (£58.4/MWh).
- All peak power contracts along the forward curve dropped this week.
- Day-ahead peak power subsided 7.2% to £42.3/MWh, a three-month low, despite average peak demand lifting 1.1%.
- Winter 15 peak power decreased 1.1% to £50.8/MWh.

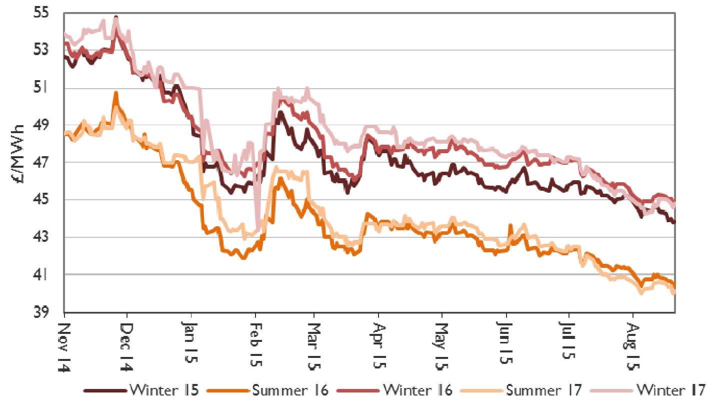
Annual October contract



Forward curve comparison

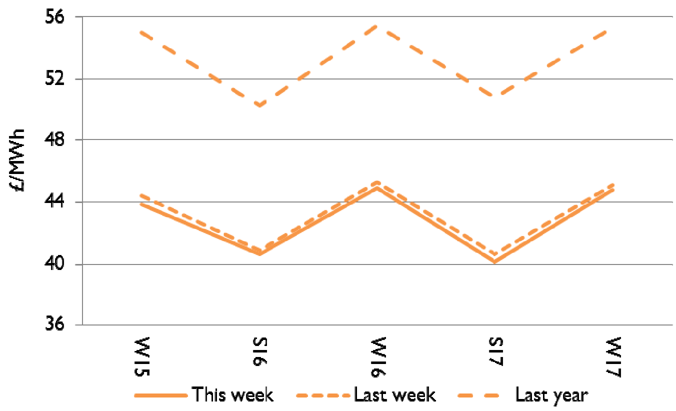


Seasonal power prices



Seasonal power contracts

Seasonal power curve



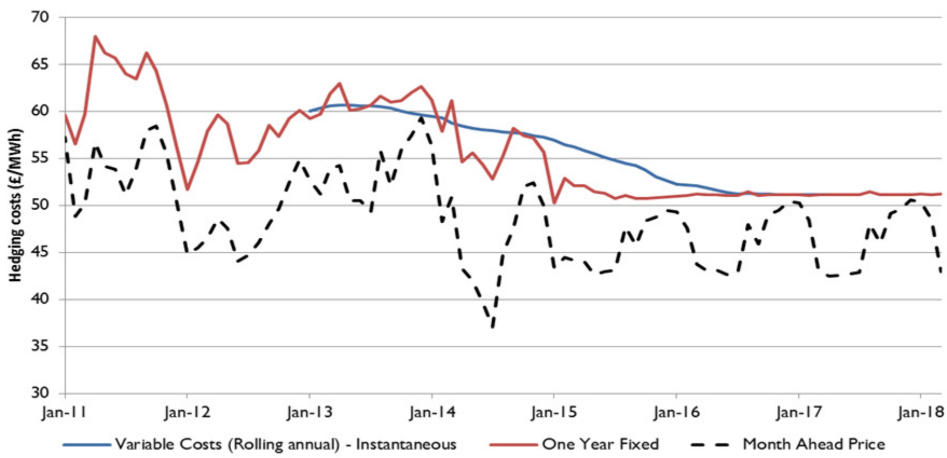
- Seasonal power contracts fell this week, as declining gas contracts weighed on prices. Furthermore, tumbling coal prices put additional pressure on contracts.
- Winter 15 power dropped 1.2% to £43.9/MWh.
- Summer 16 power lost 0.7% this week to £40.6/MWh and is now 19.1% below its level last year (£50.2/MWh).
- Winter 16 power fell 0.9% to £44.9/MWh, 19.0% under its value last year (£55.5/MWh).

Supplier hedging strategies

The annual October 15 power contract averaged £43.6/MWh in July, down 1.4% from the June average of £44.2/MWh. The fall owed to a decline in the corresponding annual gas contract and a decreased coal price. Annual October 15 gas was down 2.7% to 44.7p/th in July. Coal prices were down 1.1% in July to average $57.9/t.

There were 20 price changes to fixed domestic dual-fuel tariffs in July. Of these, 15 were reductions and five were increases. Tariff rises were seen at GoEffortless (+4.5% and +6.0%), Scottish Power (+3.2%), First Utility (+0.4%), and Green Star (+0.3%). Decreases were in tariffs belonging to British Gas (-2.4%), Flow (-9.5%), Extra (-1.3%), iSupply (-0.3% and -0.3%), Green Star (-2.6% and -0.6%), First Utility (-1.3%, -3.5% and -0.2%), M&S (-2.1%), npower (-5.4%), GnERGY (-0.7%), Scottish Power (-0.4%) and Sainsburys (-2.8%).

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.

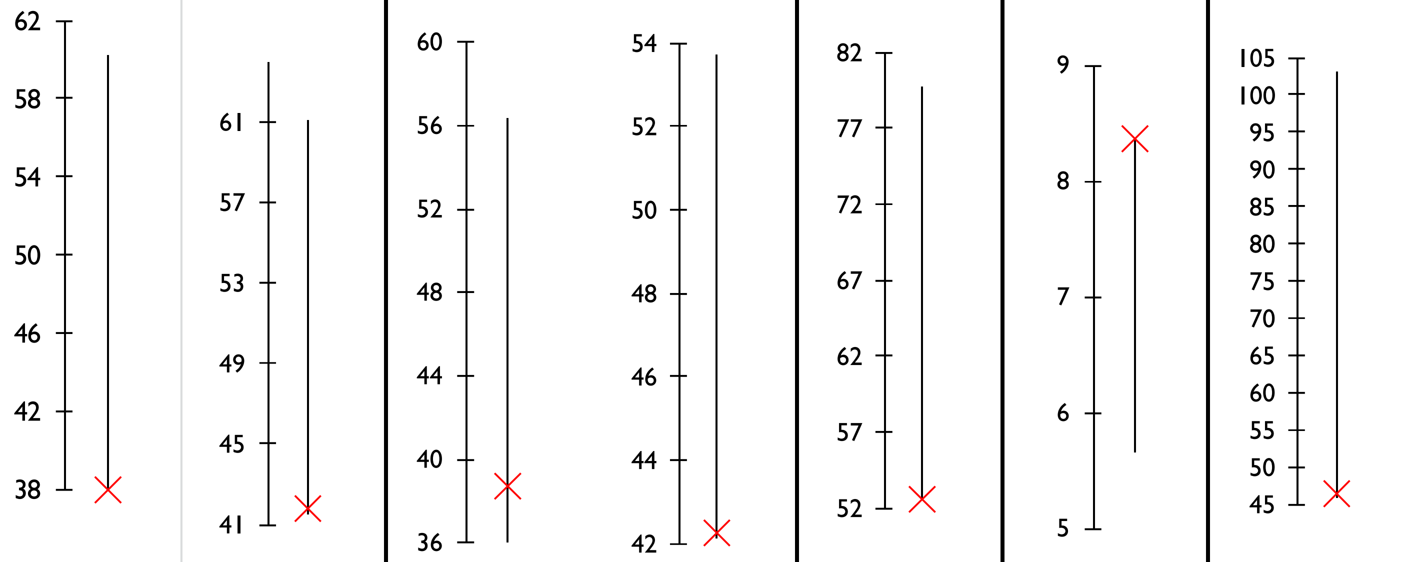


Wholesale price snapshot

Key market indicators: **21/08/2015**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	21 Aug 15	38.00	41.75	38.70	42.23	52.60	8.36	46.37
Last week	14 Aug 15	40.65	42.47	41.95	42.65	54.15	8.19	49.20
Last month	24 Jul 15	42.40	43.90	41.15	43.25	56.90	8.04	54.82
Last year	22 Aug 14	41.80	59.95	36.35	52.60	79.20	6.39	102.37
Year-on-year % change		(9%)	(30%)	6%	(20%)	(34%)	31%	(55%)
Year high		60.20	61.10	56.30	53.73	79.75	8.21	103.02
Year low		38.00	41.54	36.00	42.10	52.60	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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