Energy Wholesale Market Review

Week Ending 4th September 2015

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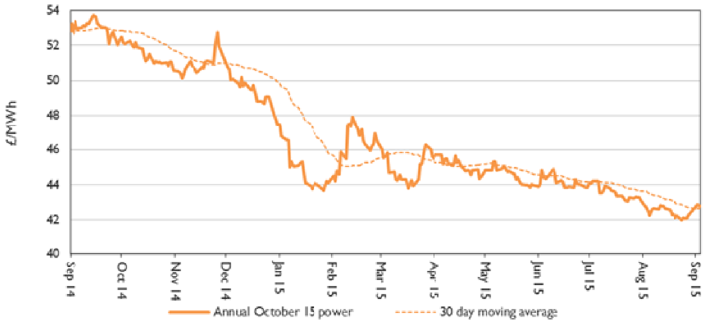
Headlines 04/09/2015

After a prolonged period of reductions, commodity and power prices rose this week. The majority of gas contracts climbed, with day-ahead gas surging 7.7% to 41.8p/th, a one-month high, as lower temperatures (-14.8%) and falling wind generation (-31.7%) increased demand. Winter 15 gas lifted 1.8% to 44.7p/th, as a recent rebound in oil prices provided support to gas contracts. Power prices followed gas contracts higher, with day-ahead power boosting 9.8% to a one-month high of £43.0/MWh, owing largely to decreased wind generation. Winter 15 power climbed 0.7% to £44.3/MWh as higher gas and coal prices put upward pressure on seasonal contracts. Brent crude oil gained 13.7% this week to average $50.6/bl, experiencing its first weekly rise in 11 weeks after OPEC signalled they might be willing to lower production levels. API 2 coal prices jumped 1.4% to average $52.8/t, the first weekly gain 8 weeks, as stock markets made small recoveries.

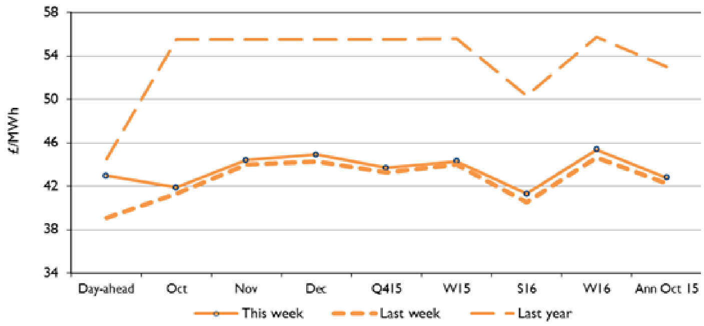
Baseload electricity

- Annual October 15 power increased 1.2% to £42.8/MWh this week.
- The contract rose following recent gains in gas and coal prices, and is now at a three-week high.
- However, prices are likely to remain depressed as sustained low gas and coal prices will continue to weigh on power prices.
- All power contracts along the forward curve made gains this week.
- Day-ahead power surged 9.8% to a one-month high of £43.0/MWh.
- Decreased wind generation (-31.7%) and reduced gas prices pulled the contract down.



Annual October contract

Forward curve comparison



Peak electricity

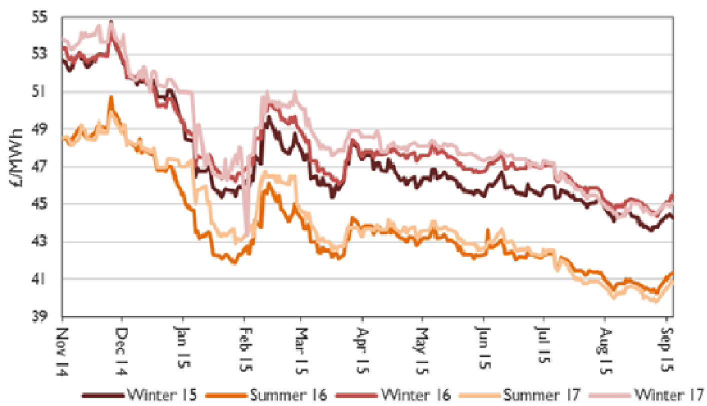
- The annual October 15 peak power contract lifted 1.1% this week to £48.3/MWh.
- The contract followed its corresponding baseload power contract higher (+1.2%).
- The contract is now 17.1% below its level last year (£58.8/MWh).
- The majority of peak power contracts rose this week.
- Day-ahead peak power lifted 13.0% to £46.1/MWh, following spot baseload power prices higher. In addition, average peak power demand increased by 2.0%.
- Winter 15 peak power rose 0.6% to £51.4/MWh.

Annual October contract

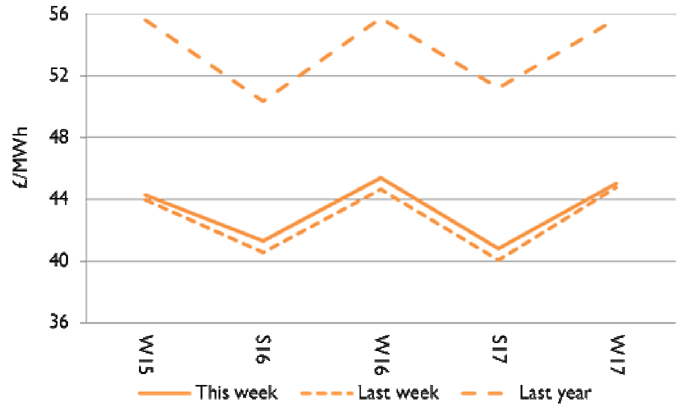
Forward curve comparison

Seasonal power prices

Seasonal power contracts

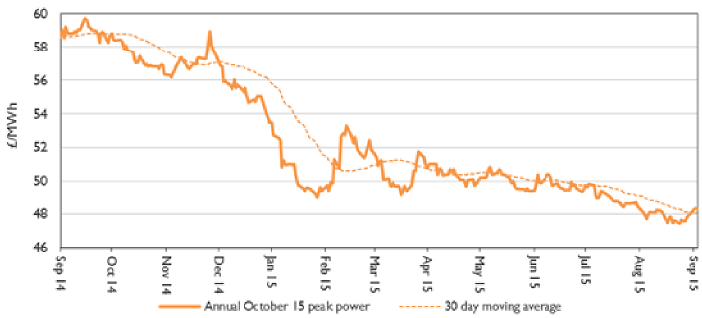


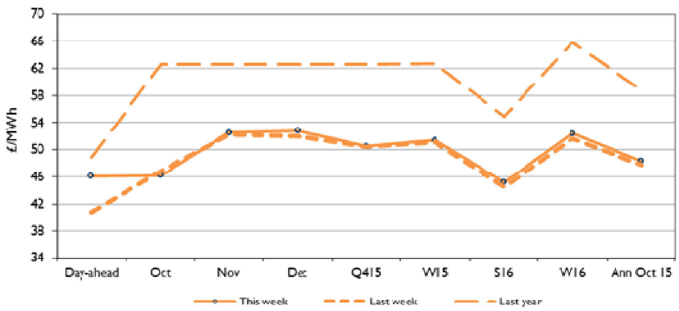
Seasonal power curve



- All seasonal power contracts experienced gains this week, as rises in gas and coal prices helped to boost power prices.
- The winter 15 contract increased 0.7% to £44.3/MWh, and reached a three-week high of £44.5 on Wednesday.

- Summer 16 power rose 1.8% to £41.3/MWh, and is now 18.0% below its level last year (£50.4/MWh).
- Winter 16 power gained 1.7% to £45.4/MWh, 18.6% under its value last year (£55.8/MWh).
- On average, seasonal contracts climbed 1.3%.



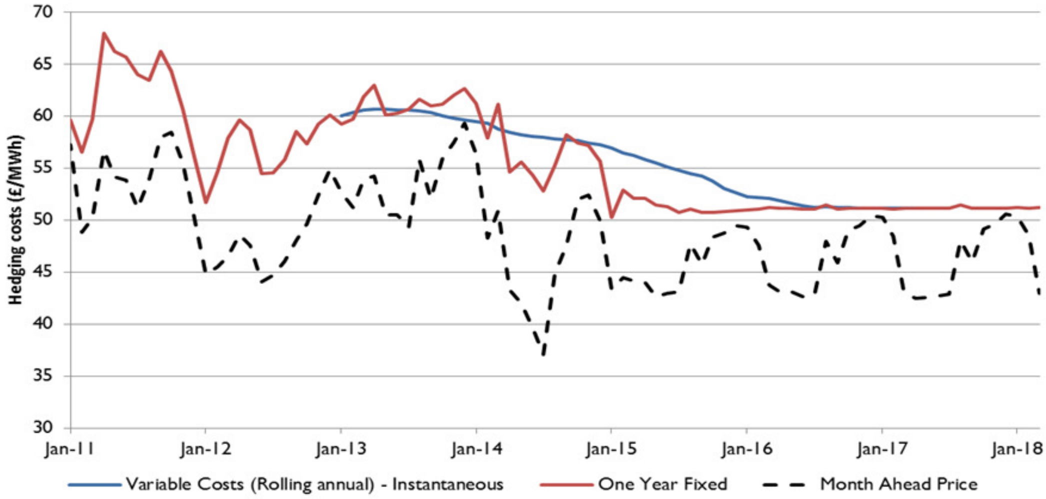


Supplier hedging strategies

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.

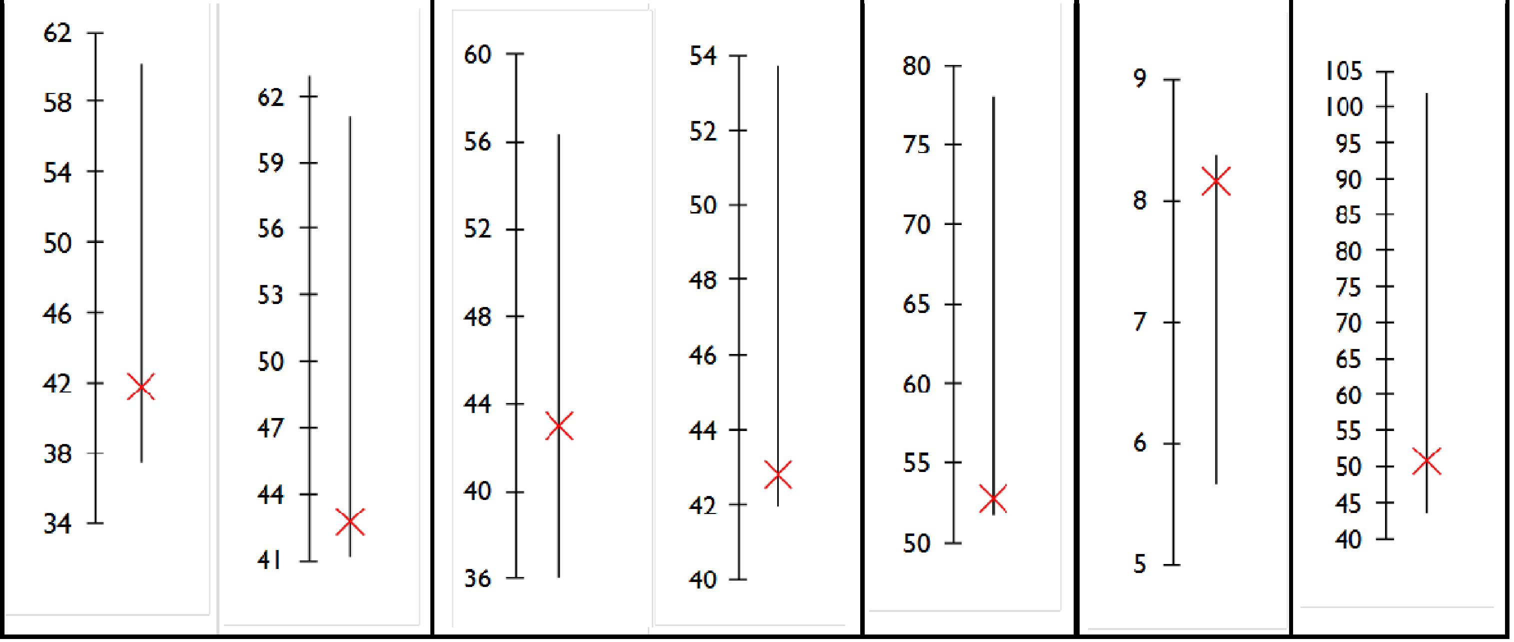

Hedging costs (£/MWh)
70
65
60
55
50
45
40
35
30
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
Jan-16
Jan-17
Jan-18
Variable Costs (Rolling annual) - Instantaneous
One Year Fixed
Month Ahead Price

Wholesale price snapshot

Key market indicators: **04/09/2015**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	4 Sep 15	41.80	42.77	42.96	42.80	52.80	8.15	50.61
Last week	28 Aug 15	38.80	41.91	39.13	42.28	53.15	8.09	47.66
Last month	7 Aug 15	40.80	42.66	42.00	42.65	55.25	7.80	49.49
Last year	5 Sep 14	48.10	60.02	44.50	52.98	77.85	6.10	102.00
Year-on-year % change		(13%)	(29%)	(3%)	(19%)	(32%)	34%	(50%)
Year high		60.20	61.10	56.30	53.73	78.00	8.36	102.00
Year low		37.35	41.18	36.00	41.98	51.60	5.66	43.33

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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