Energy Wholesale Market Review

Week Ending 11th September 2015

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Headlines 11/09/2015

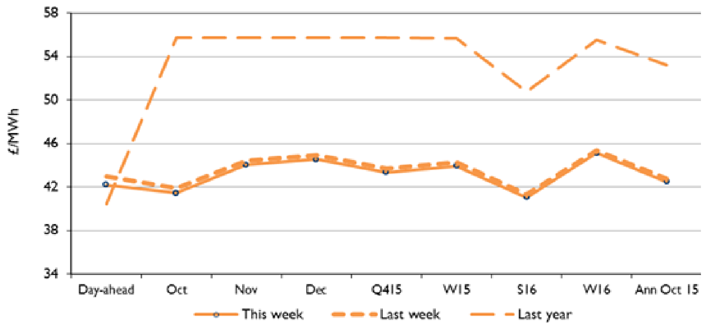
Commodity and power prices returned to downward trends this week. All seasonal gas contracts declined, once again following oil prices lower. Winter 15 gas fell 1.1% to 44.2p/th. In addition, the day-ahead contract dropped 0.7% to 41.5p/th as higher temperatures (+15.3%) reduced demand, despite Norwegian outages restricting supplies. Power prices followed a similar pattern, with most seasonal contracts falling. Winter 15 power decreased 0.8% to £44.0/MWh. The day-ahead power contract fell 1.8% to £42.2/MWh, as decreased gas prices and higher wind output at the end of the week offset greater electricity demand (+2.6%). Brent crude oil dropped 3.9% this week to average $48.6/bl as data showed Chinese oil imports were down 13% in August compared with July and Saudi Arabia rejected proposals for a meeting to discuss low prices. API 2 coal slipped 2.1% this week to average $51.7/t, with Chinese imports down 18.0% in August compared to July.

Baseload electricity

- Annual October 15 power dropped 0.7% to £42.3/MWh this week, relatively close to its value a month ago (£42.5/MWh).
- Falls primarily owed a decrease in its corresponding gas contract (-1.0%) and a decrease in coal prices (-2.1%).
- With little sign of commodity prices rising in the near-term, power prices are likely to remain low.
- All power contracts along the forward curve reduced this week.
- Day-ahead power declined 1.8% to £42.2/MWh, as decreased gas prices and higher wind output at the end of the week weighed on the contract.
- This was despite greater electricity demand (+2.6%).

Annual October contract

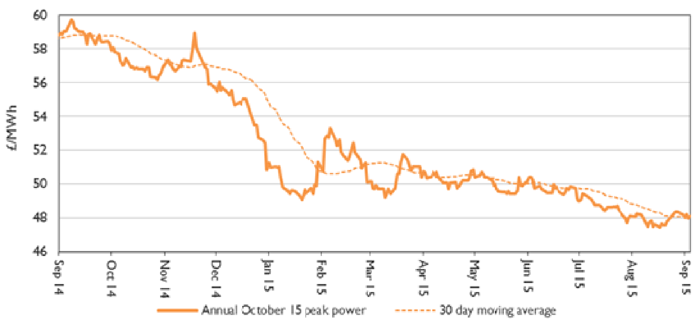
Forward curve comparison



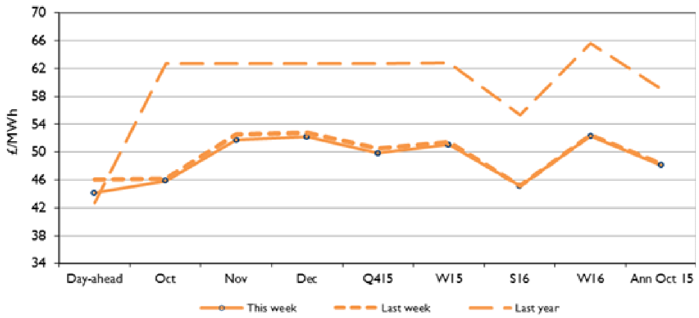
Peak electricity

- The annual October 15 peak power contract decreased 0.4% this week to £48.1/MWh.
- The contract followed baseload power contracts down, which were weighed on by lower gas and coal prices.
- The contract is now 18.5% under its value last year (£59.1/MWh).
- All peak power contracts slipped this week, reversing last week's upward movements.
- The day-ahead peak power contract fell 4.3% to £44.1/MWh, following spot baseload power prices lower. This was despite average peak power demand increasing by 5.0%.
- Winter 15 peak power was down 0.7% to £51.1/MWh.

Annual October contract

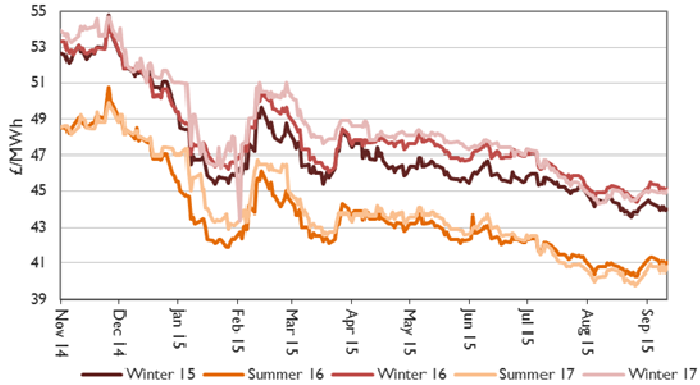


Forward curve comparison



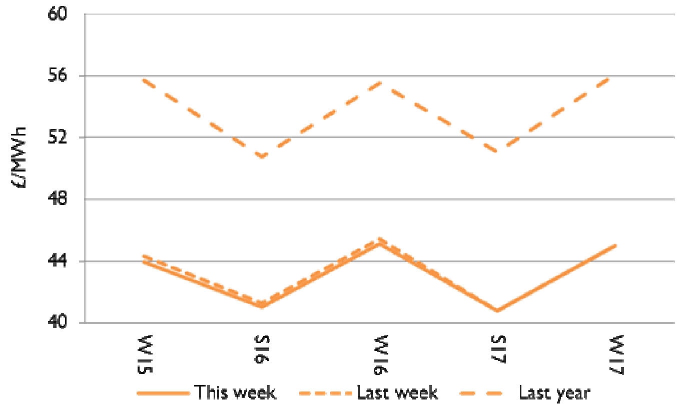
Seasonal power prices

Seasonal power contracts



- Most seasonal power contracts decreased this week, following their gas counterparts downward.
- The winter 15 contract fell 0.8% to £44.0/MWh.
- The contract is now 21.1% under its value last year (£55.7/MWh), and 1.6% below its level last month (£44.7MWh).

Seasonal power curve



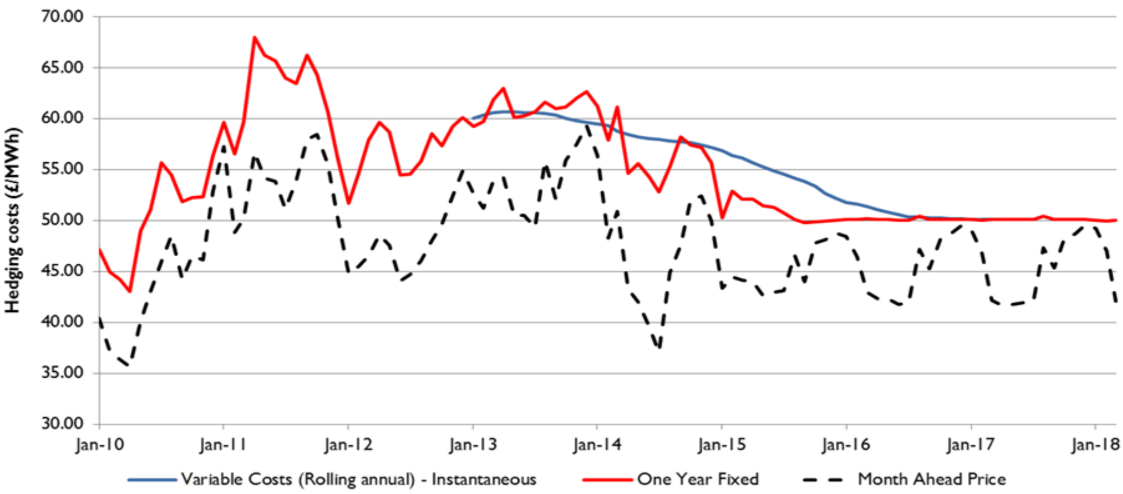
- Summer 16 power dropped 0.6% to £41.1/MWh, and is now 19.1% below its level last year (£50.8/MWh).
- Winter 16 power lost 0.6% to £45.2/MWh, 18.7% under its value last year (£55.6/MWh).
- Some backwardation can be seen in the market, with the winter 17 contract now lower than the winter 16 contract.

Supplier hedging strategies

The annual October 15 power contract averaged £42.4/MWh in August, down 2.6% from the July average of £43.5/MWh. Decreasing prices were driven by a decline in its correspond in gas contract and continued falls in coal prices. Annual October 15 gas fell 5.4% to 42.2p/th in August, while coal prices decreased 7.0% to average $53.8/t.

There were 31 price changes to fixed domestic dual-fuel tariffs in August. Of these, 20 were reductions and 11 were increases. Some notable tariff rises were seen at npower (+5.9%), First Utility (+1.3%, +2.7% and +8.9%) and Scottish Power (+2.1%). Notable decreases were in tariffs belonging to npower (-2.2%), Peterborough Energy (-3.4%), Southend Energy (-3.4%), Extra Energy (-4.6%), First Utility (-4.2%) and British Gas (-2.4%).

Decreased annual power and gas contracts have allowed suppliers to offer a greater number of lower fixed term deals. Those now offering lower prices, are more likely to be shorter-hedged, and therefore able to pass on any contract price reductions through their tariffs. Other supplier tariffs are likely to be hedged in the longer-term.

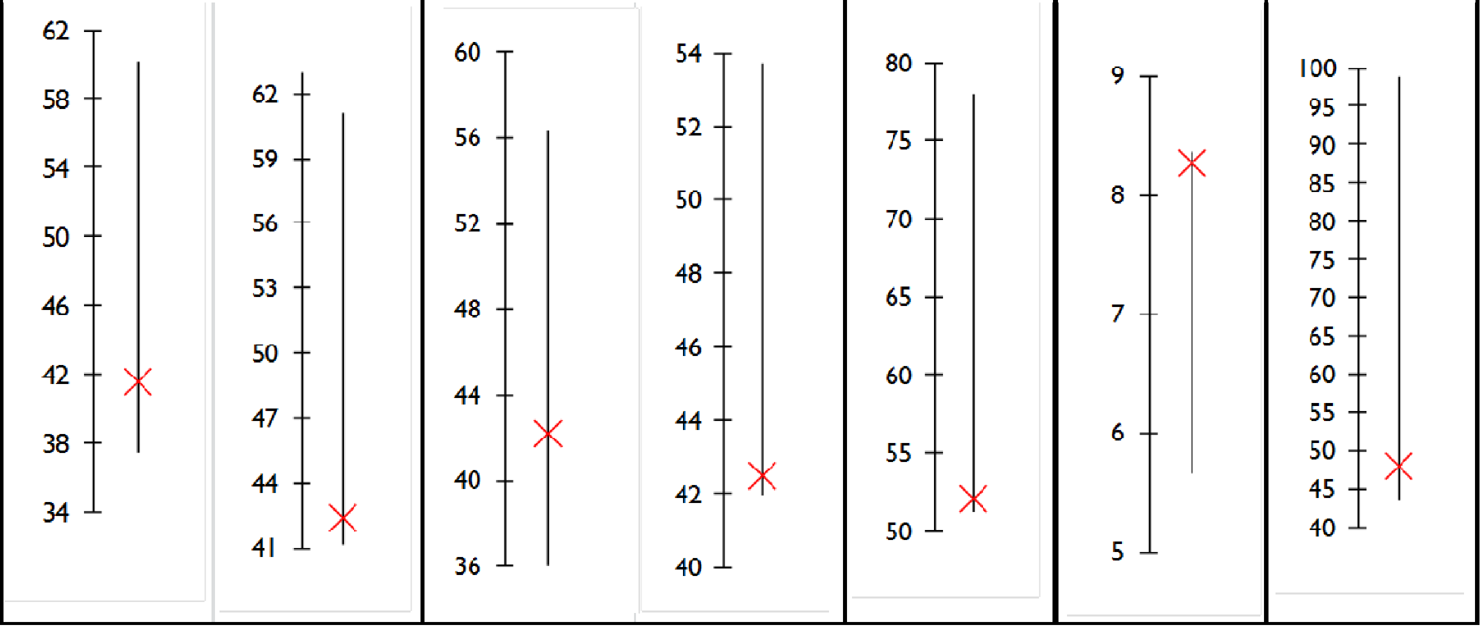


Wholesale price snapshot

Key market indicators: **11/09/2015**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	11 Sep 15	41.50	42.34	42.20	42.50	52.00	8.27	47.94
Last week	4 Sep 15	41.80	42.77	42.96	42.80	52.80	8.15	50.61
Last month	14 Aug 15	40.65	42.47	41.95	42.65	54.15	8.19	49.20
Last year	12 Sep 14	44.90	60.62	40.45	53.23	77.75	6.10	98.37
Year-on-year % change		(8%)	(30%)	4%	(20%)	(33%)	36%	(51%)
Year high		60.20	61.10	56.30	53.73	78.00	8.36	98.80
Year low		37.35	41.18	36.00	41.98	51.20	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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