Energy Wholesale Market Review

Week Ending 16th October 2015

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Contents

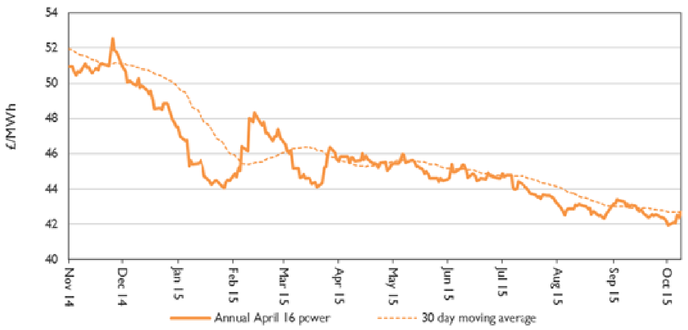
Headlines 16/10/2015

Seasonal power and gas contracts slipped to record lows this week, as prices returned to downward trends. Falling oil prices dragged the summer 16 gas contract down 3.7% to a fresh low of 37.9p/th, with a healthy supply outlook also weighing on prices. Summer 16 power followed gas and coal prices lower, trimming 2.2% to a contract low of £39.6/MWh. Despite rising demand, spot power and gas contracts fell this week. Day-ahead gas slipped 1.8% to 40.3p/th amid the arrival of ten LNG tankers in October so far. Day-ahead power subsided 4.7% to £40.5/MWh amid comfortable supply margins and lower spot gas prices. Brent crude oil decreased 2% this week to average $50.1/bl, after data showed an increase in OPEC production levels in September, with record Iraqi output. API 2 coal slid 1.2% to average $48.6/t as the slowdown in global economies exacerbated the supply glut. EU ETS carbon lifted 2.4% to average €8.4/t, reaching a three-year high of €8.5/t on Thursday.

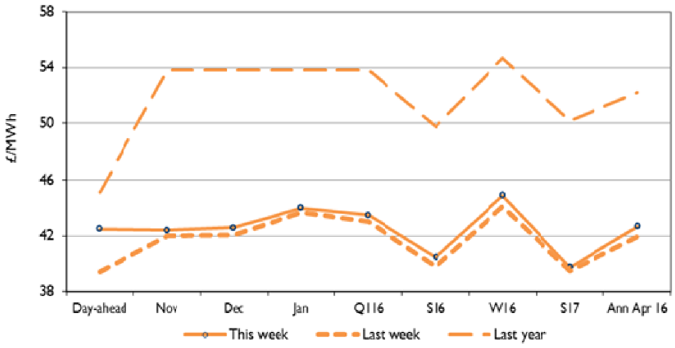
Baseload electricity

- Annual April 16 power decreased 1.8% to a fresh low of £41.9/MWh, as the contract followed gas and coal prices downward.
- With expectations that commodity prices will remain low, power contracts are unlikely to experience any significant gains in the near-term.
- The contract is now 1.8% under its value a month ago (£42.7/MWh).
- All power contracts dropped this week.
- Day-ahead power subsided 4.7% to £40.5/MWh as comfortable supplies and lower spot gas prices more than offset rising demand.
- Supplies were healthy despite the French interconnector exporting power to the continent for much of the week, as well as decreased wind output.

Annual April contract



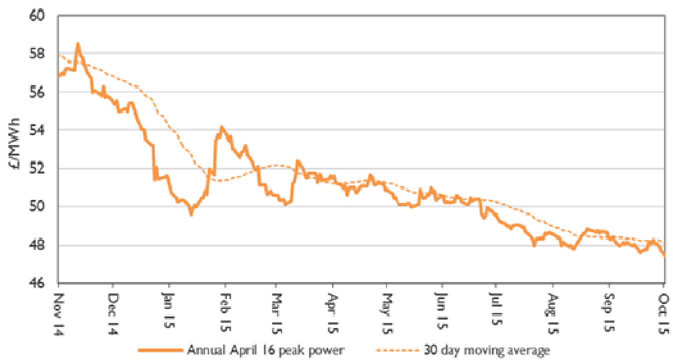
Forward curve comparison



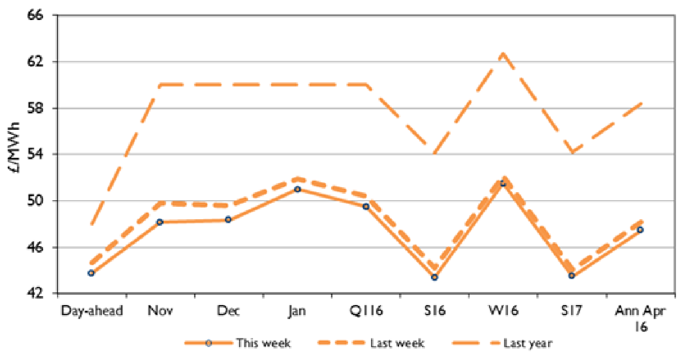
Peak electricity

- The annual April 16 peak power contract dropped 1.6% this week to a record low of £47.5/MWh.
- Falls in its corresponding baseload power contract (-1.8%) and lower gas prices weighed on prices.
- The contract is now 18.8% under its value last year (£58.4/MWh).
- All peak power contracts decreased this week.
- Summer 16 peak power was down 1.9% to £43.4/MWh.
- Day-ahead peak power dropped 2.1% to £43.8/MWh, despite a 4.7% gain in average daily peak power demand.

Annual April contract

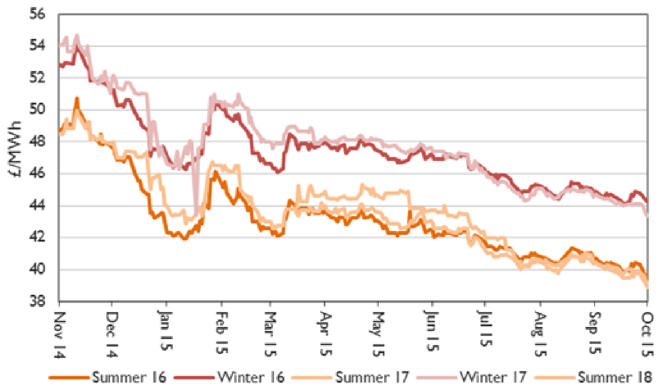


Forward curve comparison

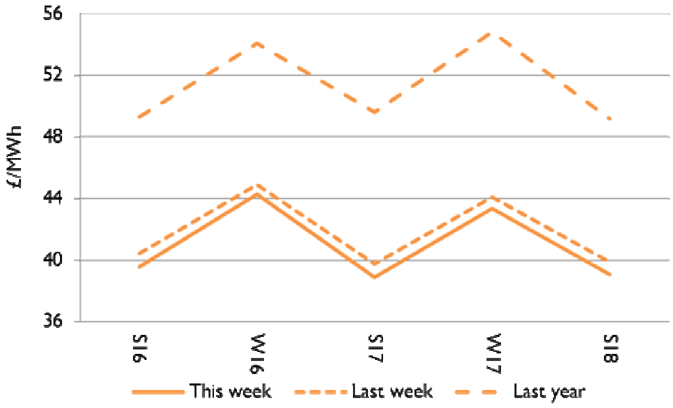


Seasonal power prices

Seasonal power contracts



Seasonal power curve



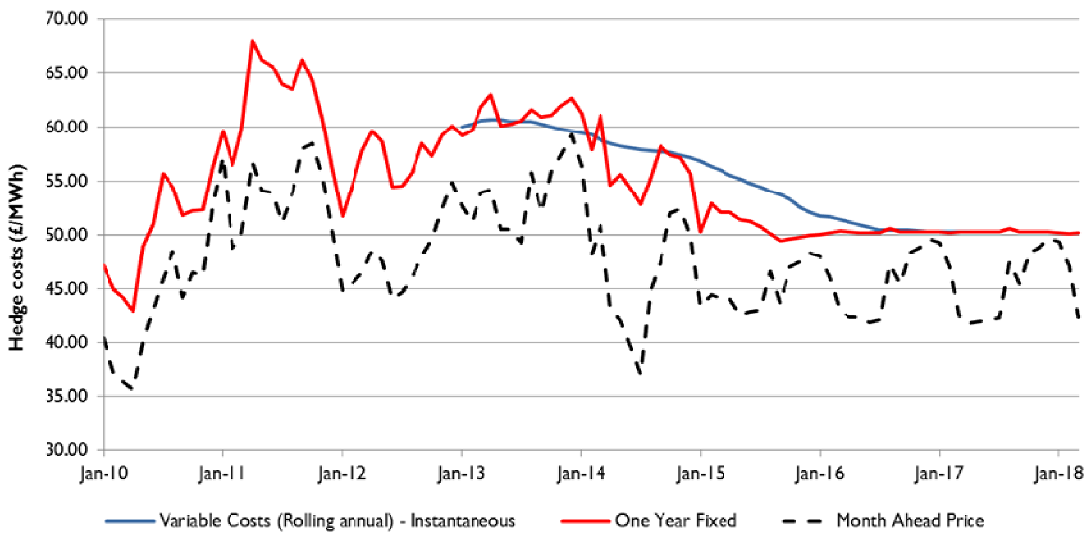
- Seasonal power contracts slipped to record lows this week, following gas prices lower.
- Summer 16 power trimmed 2.2% to £39.6/MWh, an all-time low for the contract. The contract is now 2.5% under its value a month ago (£40.6/MWh).
- Low commodity prices have continued to weigh on seasonal power contracts, with little sign of any significant rise in the near future.
- Seasonal contracts averaged falls of 1.9%.
- Winter 16 power fell 1.4% to £44.3/MWh, and is now 18.2% below its value last year (£54.1/MWh).
- Summer 17 power dropped 2.1% to £38.9/MWh, while winter 17 slid 1.7% to £43.4/MWh.

Supplier hedging strategies

The annual April 16 power contract averaged £42.8/MWh in September, up slightly 0.1% from the August average of £42.8/MWh. However, the contract reached a record low of £42.3/MWh at the end of the month. Prices movements were largely driven by its correspond gas contract and continued falls in coal prices. Annual April 16 gas was down 0.9% to 42.5p/th in September. Coal prices decreased 5.3% in September to average $51.0/t.

There were 30 price changes to fixed domestic dual-fuel tariffs in September. Of these, 19 were reductions and 11 were increases. Some notable tariff rises were seen at npower (+3.5% and +2.6%), LoCO2 Energy (+8.9%, +6.7% and +4.8%) and First Utility (+4.5%). Notable decreases were in tariffs belonging to EDF (-3.1% and -4.8%), First utility (-4.2%), Extra Energy (-2.8%), iSupply (-2.6% and -3%) and Go Effortless Energy (-22.7%).

Sustained low power and gas contracts have continued to allow 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.

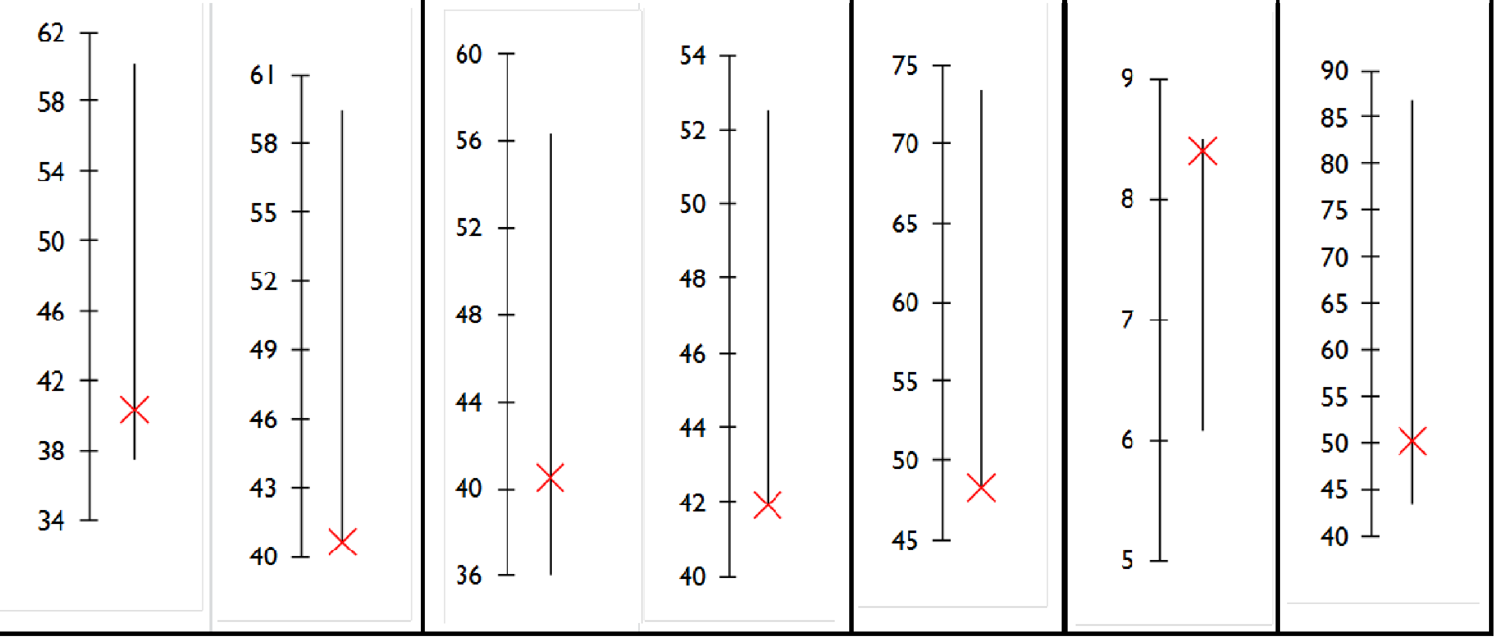


Wholesale price snapshot

Key market indicators: 16/10/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	16 Oct 15	40.25	40.64	40.50	41.90	48.30	8.39	50.23
Last week	9 Oct 15	41.60	41.99	42.50	42.68	49.25	8.21	53.61
Last month	18 Sep 15	41.00	42.29	43.05	42.65	51.00	8.21	49.71
Last year	17 Oct 14	51.00	58.41	43.70	51.70	72.10	6.26	85.85
Year-on-year % change		(21%)	(30%)	(7%)	(19%)	(33%)	34%	(41%)
Year high		60.20	59.47	56.30	52.53	73.40	8.49	86.67
Year low		37.35	40.64	36.00	41.90	48.15	6.07	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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