

Energy Wholesale Market Review

Week Ending 23rd October 2015



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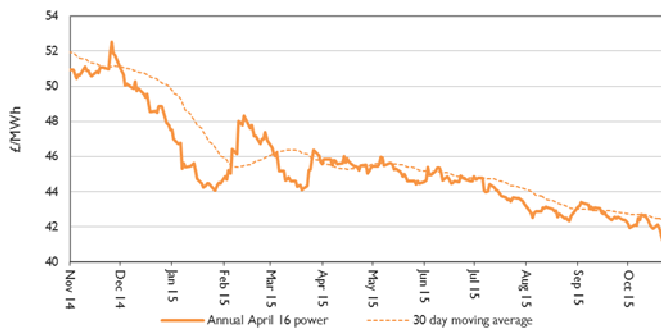
Headlines 23/10/2015

Commodity prices continued to descend this week, driving seasonal power contracts further down. Summer 16 gas dropped 2.5% to a new low of 37.0p/th, as a comfortable supply outlook and decreased oil prices weighed on the contract. Summer 16 power followed lower, trimming 1.5% to a contract low of £39.0/MWh. Spot gas and power contracts also declined. Day-ahead gas slipped 2.4% to 39.3p/th as higher temperatures (+17.7%) and greater wind generation (+50.1%) decreased demand. Meanwhile, day-ahead power slipped 1.1% to £40.1/MWh, reaching an eight week low of £38.6/MWh on Wednesday, with higher wind output and lower spot gas prices. Brent crude oil fell 2.9% to average \$48.7/bl, as slowing Chinese economic growth and a rise in US crude inventory levels pulled prices down. API 2 coal dropped 1.9% to average \$47.6/t amid a continued oversupplied market. EU ETS carbon lifted 0.7% to average €8.5/t, hitting a fresh three-year high of €8.6/t on Friday.

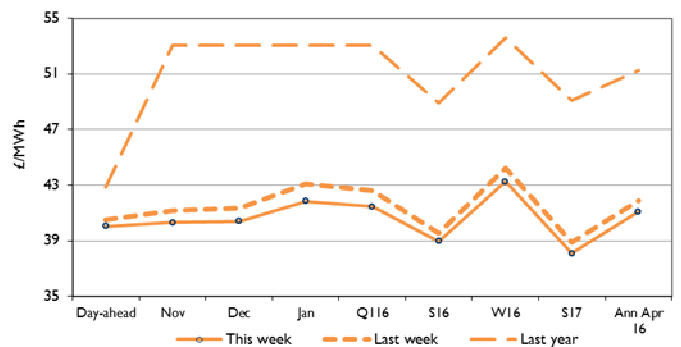
Baseload electricity

- Annual April 16 power decreased 1.9% to a new low of £41.1/MWh, following commodity prices lower.
- With gas and coal prices continuing to fall, there is little sign of the annual power contract gaining any significant upward traction in the near-term.
- The contract is now 3.4% under its value a month ago (£42.6/MWh).
- All power contracts declined this week.
- Day-ahead power slipped 1.1% to £40.1/MWh, reaching an eight week low of £38.6/MWh on Wednesday, as higher wind output and lower spot gas prices pulled the contract down.
- Month-ahead power dropped 2.1% £40.3/MWh, and is now 6.5% below its value last month (£43.1/MWh).

Annual April contract



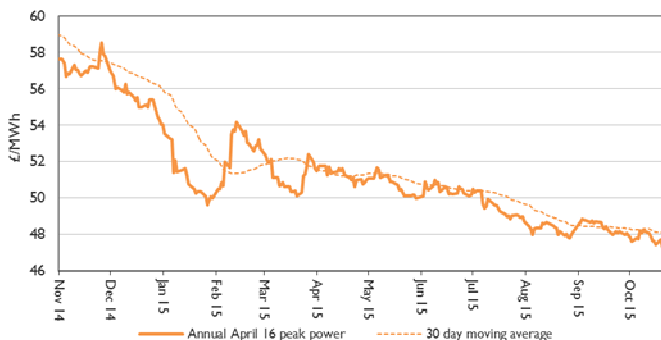
Forward curve comparison



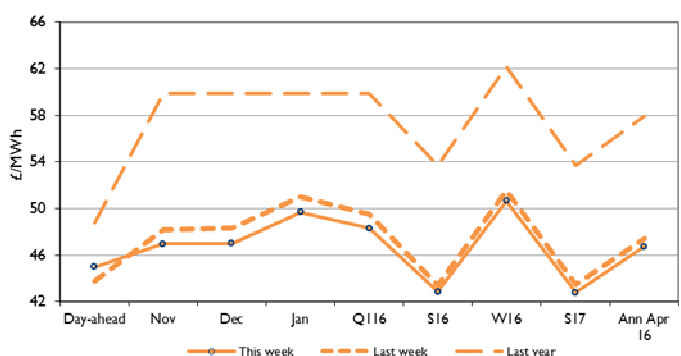
Peak electricity

- The annual April 16 peak power contract dropped 1.5% this week to a record low of £46.8/MWh.
- Falls in its corresponding baseload power contract (-1.9%) and lower seasonal gas prices weighed on prices.
- The contract is now 19.3% under its value last year (£58.0/MWh).
- Most peak power contracts decreased this week.
- Summer 16 peak power was down 1.3% to £42.9/MWh.
- In contrast, day-ahead peak power lifted 2.9% to £45.0/MWh, owing to a rise in average daily peak demand, which was up 2.2%.

Annual April contract



Forward curve comparison



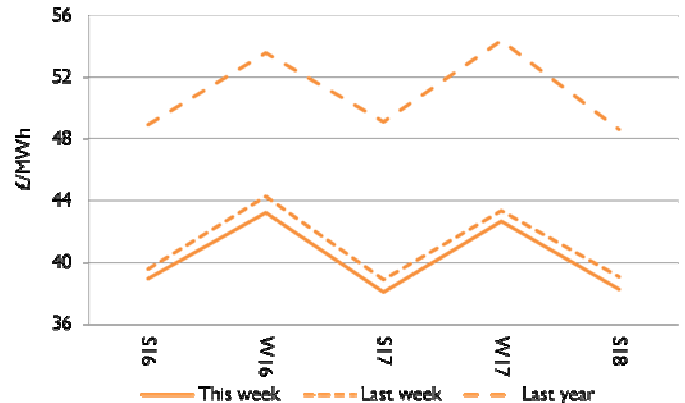


Seasonal power prices

Seasonal power contracts



Seasonal power curve



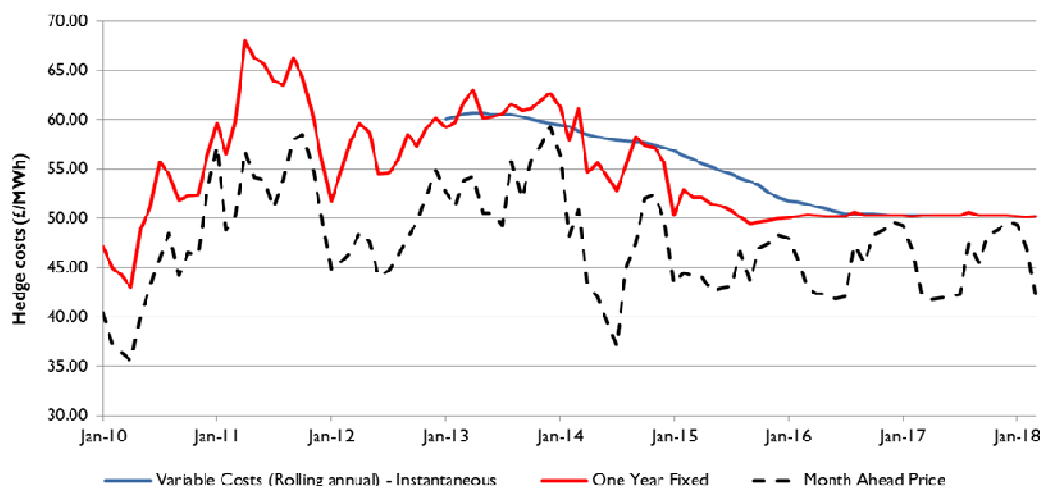
- Seasonal power contracts were pulled down by lower gas and coal prices this week.
- Summer 16 power trimmed 1.5% to a fresh low of £39.0/MWh. The contract is now 3.6% under its value a month ago (£40.4/MWh).
- Commodity prices have remained the driver of long-term power contracts this week. If commodity prices continue their downward trend, power contracts are likely to follow.
- Seasonal contracts averaged falls of 1.9%.
- Winter 16 power dropped 2.3% to £43.3/MWh, and is now 19.3% below its value last year (£53.6/MWh).
- Summer 17 power decreased 2.1% to £38.1/MWh, while the winter 17 contract slid 1.6% to £42.7/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:

23/10/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	23 Oct 15	39.30	39.64	40.05	41.10	47.25	8.58	48.32
Last week	16 Oct 15	40.25	40.64	40.50	41.90	48.30	8.39	50.23
Last month	25 Sep 15	40.95	41.78	42.65	42.55	49.75	7.99	48.29
Last year	24 Oct 14	50.65	57.38	42.85	51.25	73.00	6.38	86.12
Year-on-year % change		(22%)	(31%)	(7%)	(20%)	(35%)	34%	(44%)
Year high		60.20	59.47	56.30	52.53	73.40	8.58	86.40
Year low		37.35	39.64	36.00	41.10	47.15	6.18	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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