Energy Wholesale Market Review

Week Ending 30th October 2015

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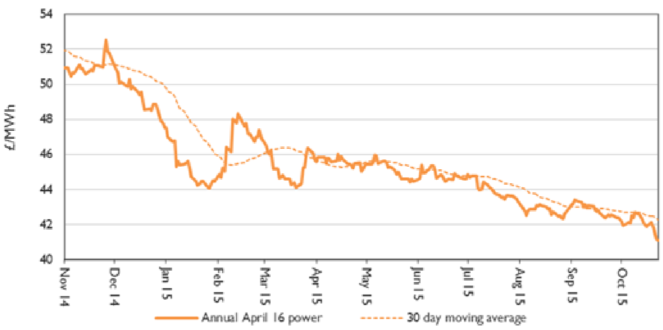
Headlines 30/10/2015

Comfortable supplies pulled seasonal gas and power contracts down to record lows this week. Summer 16 gas fell 2.1% to 36.2p/th, as lower oil prices and an increasingly more comfortable supply picture weighed on the contract. Seasonal power contracts followed lower, with summer 16 power slipping 1.3% to a record low of £38.5/MWh. Spot gas and power contracts also declined. Day-ahead gas dropped 3.8% to a nine-week low of 37.80p/th amid milder temperatures and healthy supplies—five LNG tankers are expected to arrive in the UK within the next week. Day-ahead power also decreased, dipping 2.6% to £39.0/MWh with a 36.6% rise in wind output. Brent crude oil was down 1.3% to average $48.1/bl, hitting a six-week low of $46.8/bl on Wednesday, amid a continued global supply glut. EU ETS carbon lifted 1.7% this week to average €8.6/t, hitting a fresh three-year high of €8.7/t on Thursday afternoon, as the commodity experienced its fifth weekly gain in a row.

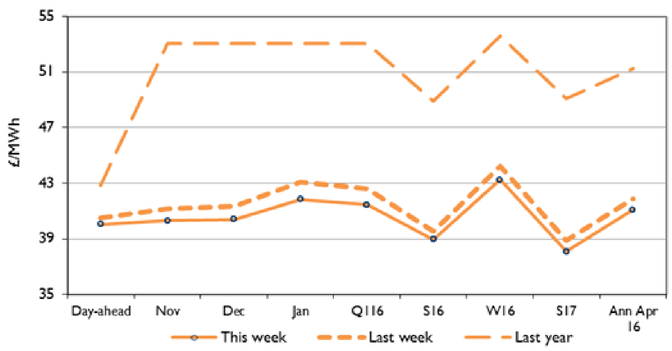
Baseload electricity

- Annual April 16 power decreased 1.4% to a fresh low of £40.5/MWh, following gas prices lower.
- With a rise in coal prices this week, falling power prices can be attributed in part to lower gas contracts, which have continued to decline amid a comfortable supply outlook.
- The contract is now 3.4% under its value a month ago (£42.0/MWh).
- All power contracts declined this week.
- Day-ahead power slipped 2.6% to £39.0/MWh as higher wind generation (+36.6%) and lower spot gas prices pulled the contract down.
- Month-ahead power dropped 1.7% to a record low of £39.6/MWh, and is now 5.7% below its value last month (£42.0/MWh).

Annual April contract



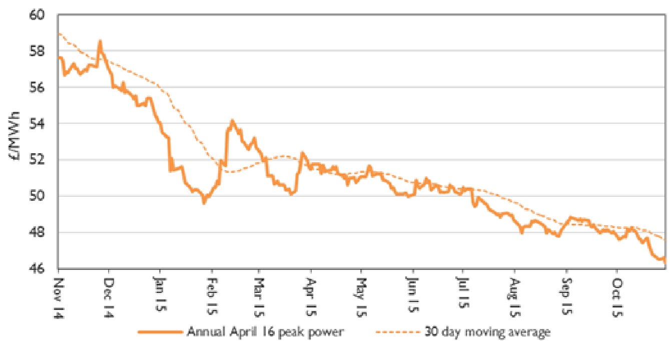
Forward curve comparison



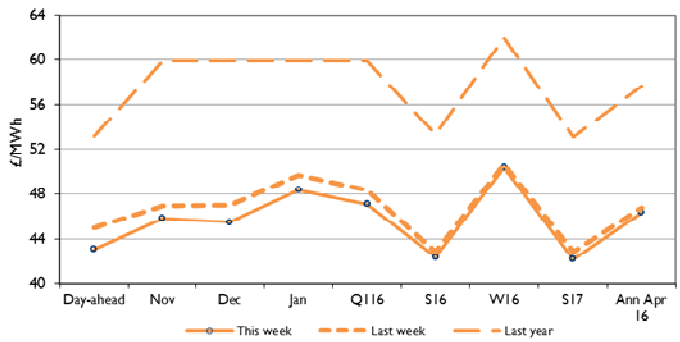
Peak electricity

- The annual April 16 peak power contract dropped 0.9% this week to a record low of £46.4/MWh.
- The contract followed its corresponding baseload power contract (-1.4%), and was also weighed on by lower seasonal gas prices.
- The contract is now 19.6% under its value last year (£57.6/MWh).
- All peak power contracts fell this week.
- Summer 16 peak power was down 1.2% to a record low of £42.4/MWh.
- Day-ahead peak power declined 4.3% to £43.1/MWh, following falls in its baseload power counterpart. This was despite a 3.6% rise in average daily peak demand.

Annual April contract

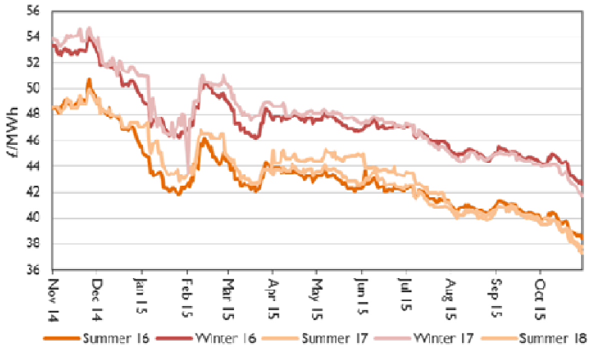


Forward curve comparison

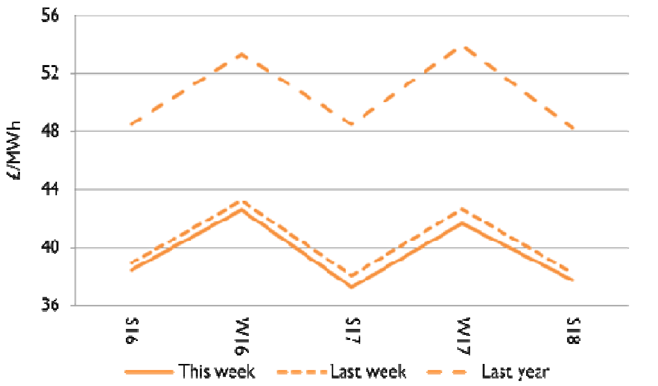


Seasonal power prices

Seasonal power contracts



Seasonal power curve



- Seasonal power contracts slipped to record lows this week, following their gas counterparts down.
- Summer 16 power trimmed 1.3% to a fresh low of £38.5/MWh. The contract is now 3.4% under its value a month ago (£39.8/MWh).
- Falls in seasonal gas contracts and sustained low coal prices have fed directly in to longer-term power contracts. While the commodity outlook remains subdued, power prices are unlikely to experience any significant gains in the near-term.

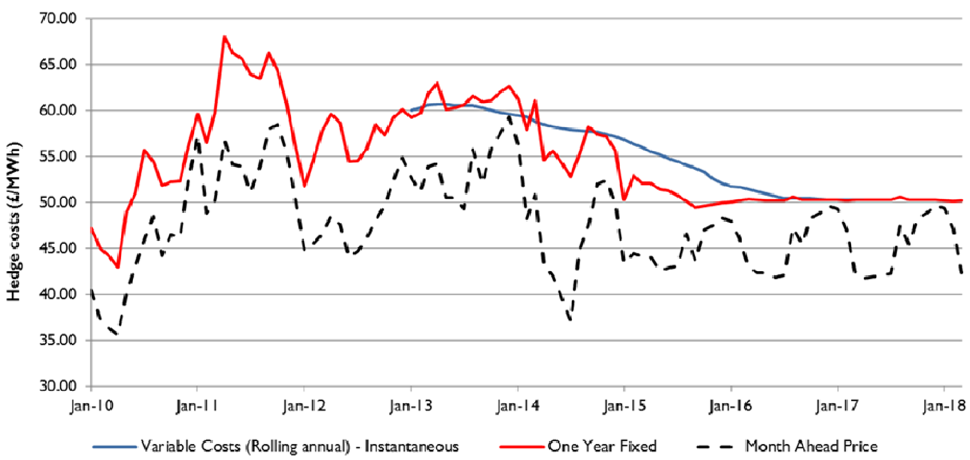
- Seasonal contracts averaged falls of 1.7%.
- Winter 16 power dropped 1.5% to £42.6/MWh, and is now 20.1% below its value last year (£53.4/MWh).
- Summer 17 power decreased 2.2% to £37.3/MWh, while the winter 17 contract slid 2.3% to £41.7/MWh.
- Some backwardation can be seen in the market, with summer 16 prices higher than those for summer 17, and winter 17 prices less than those for winter 16.

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.

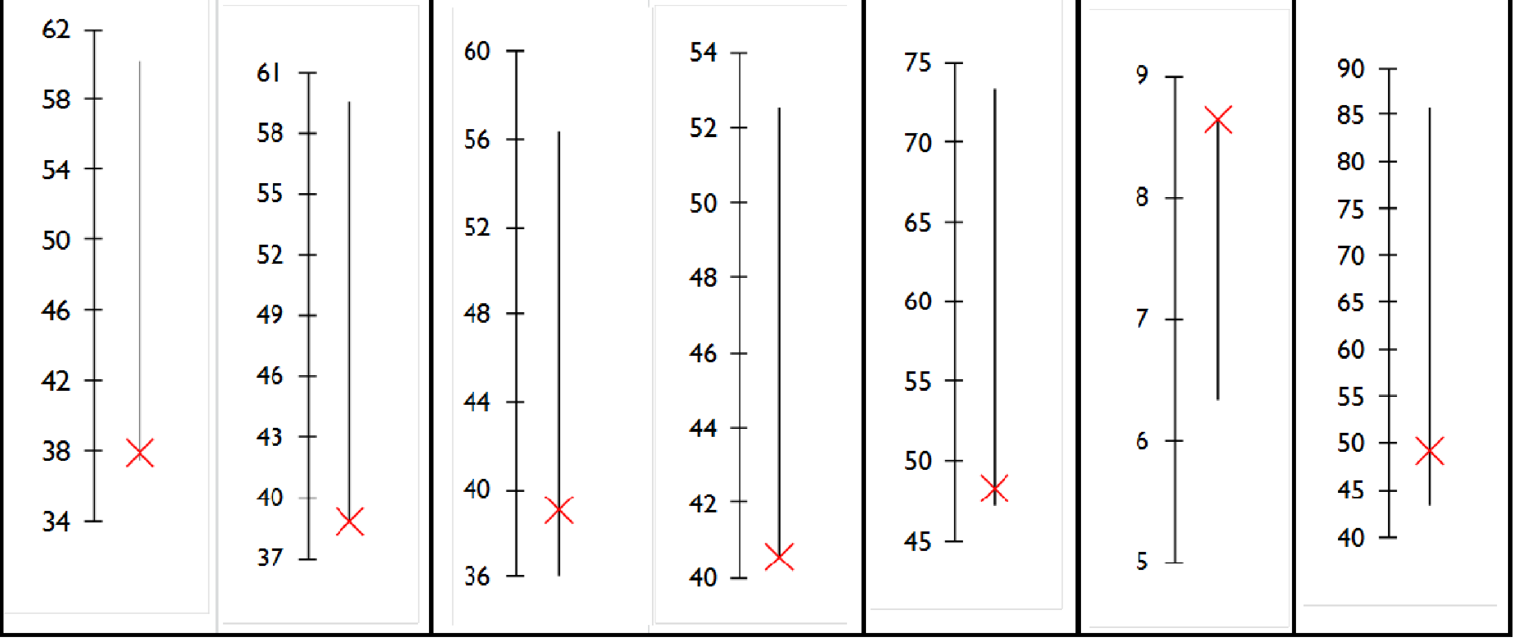


Wholesale price snapshot

Key market indicators: 30/10/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	30 Oct 15	37.80	38.76	39.02	40.53	48.30	8.63	49.18
Last week	23 Oct 15	39.30	39.64	40.05	41.10	47.25	8.58	48.32
Last month	30 Sep 15	40.00	41.38	41.10	42.28	48.60	8.11	48.23
Last year	31 Oct 14	49.50	56.53	45.00	50.93	72.10	6.37	85.33
Year-on-year % change		(24%)	(31%)	(13%)	(20%)	(33%)	35%	(42%)
Year high		60.20	59.47	56.30	52.53	73.40	8.63	85.65
Year low		37.35	38.76	36.00	40.53	47.15	6.33	43.33

This table shows the price this week compared with prices from the prev ous week, month and year. The graphs show the position of this week's pr ces 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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