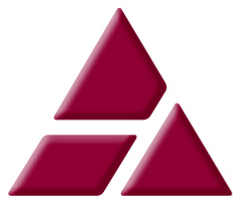




# Energy Wholesale Market Review

Week Ending 13<sup>th</sup> November 2015



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## Headlines 13/11/2015

High supply and low demand were the main drivers this week, as power contracts continued to follow commodity prices lower. Falling oil prices and a comfortable supply outlook pulled seasonal gas contracts down to record lows, with summer 16 gas slipping 4.5% to 34.0p/th. Seasonal power contracts followed lower, with summer 16 power trimming 3.3% to £36.8/MWh. Meanwhile, mild temperatures (37.8% above the seasonal norm) and significantly higher wind output (up 191.2% week-on-week) brought day-ahead gas down 4.1% to 34.2p/th, and hit a five-year low in the week. Day-ahead power slid 0.7% to £35.8/MWh, reaching £35.0/MWh on Thursday, the lowest price since July 2014. Brent crude oil fell 5.2% to average \$46.8/bl, hitting a two-and-a-half month low of \$43.8/bl on Friday with OECD crude inventory levels at a record of almost three billion barrels. API 2 coal prices fell 3.3% to average \$46.7/t, and dropped to a fresh low of \$45.8/t on Friday.

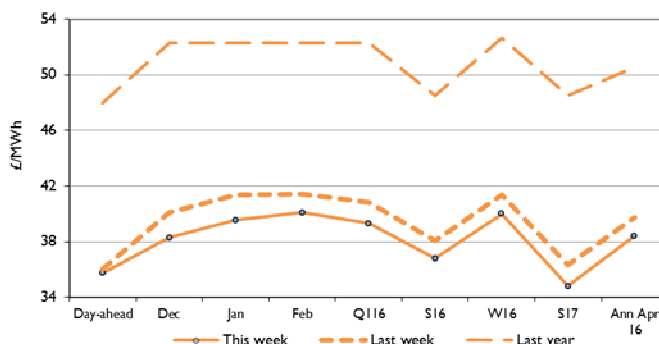
## Baseload electricity

- Annual April 16 power trimmed 3.3% this week to £38.4/MWh, and hit a record low of £38.2/MWh on Thursday.
- Prices followed gas and coal prices, which have also fallen to fresh lows this week. With commodity prices forecast to remain low in the medium-term, power prices are unlikely to experience any significant gains in the near future.
- All power contracts declined this week.
- Day-ahead power lost 0.7% to £35.8/MWh, reaching £35.0/MWh on Thursday, the lowest price since July 2014.
- Lower spot gas prices (-4.1%), greater wind generation (+191.2%), mild temperatures (37.8% above the seasonal norm) and reduced demand (-5.2%) pulled prices down.

Annual April contract



Forward curve comparison



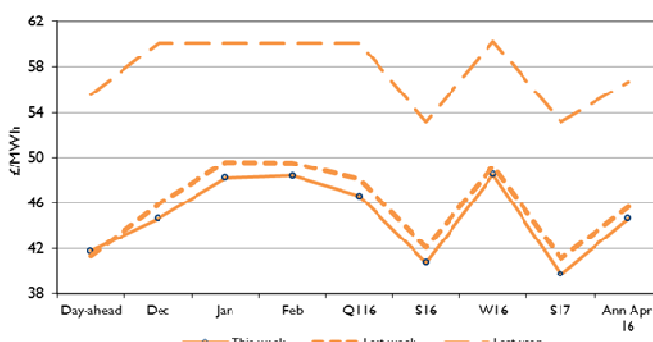
## Peak electricity

- The annual April 16 peak power contract dropped 2.2% this week to £44.6/MWh, hitting a fresh low of £44.5/MWh on Thursday.
- The contract followed seasonal gas prices and its corresponding baseload power contract (-3.3%) lower.
- The contract is now 21.3% under its value last year (£56.7/MWh).
- Most peak power contracts fell this week.
- Summer 16 peak power was down 3.1% to a record low of £40.8/MWh.
- In contrast, day-ahead peak power lifted 1.0% to £41.8/MWh, despite falls in its baseload power counterpart and a decline in average peak daily demand.

Annual April contract



Forward curve comparison

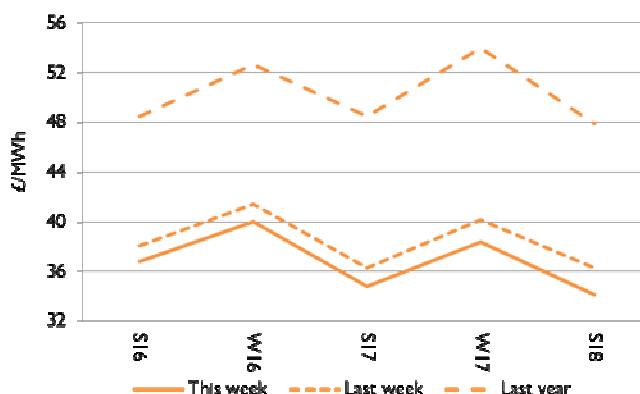


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve



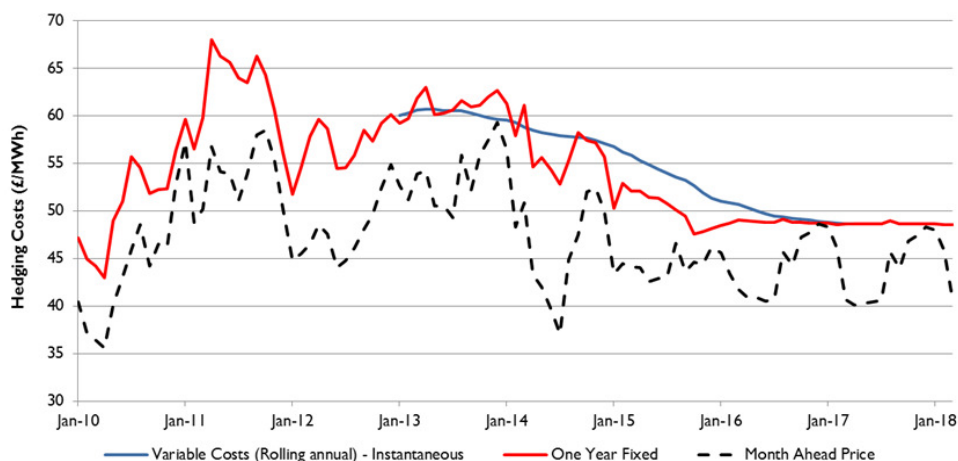
- Seasonal power contracts continued their downward trend this week, slipping to record lows.
- Contracts followed gas and coal prices lower, all of which fell to fresh lows this week.
- Summer 16 power trimmed 3.3% to £36.8/MWh, and is now 7.0% under its value a month ago (£39.6/MWh).
- Seasonal contracts averaged falls of 4.2%.
- Winter 16 power dropped 3.4% to £40.0/MWh, and is now 24.0% below its value last year (£52.7/MWh).
- Summer 17 power decreased 4.1% to £34.8/MWh, while the winter 17 contract slid 4.5% to £38.4/MWh.
- Some backwardation has remained in the market, with further-out contracts lower than those in the nearer-term.

## Supplier hedging strategies

The annual April 16 power contract averaged £41.7/MWh in October, down 2.6% from the September average of £42.8/MWh. The contract reached a record low of £40.5/MWh at the end of the month. Price movements were largely driven by its correspond gas contract and continued falls in coal prices. Annual April 16 gas fell 4.7% to 40.5p/th in October. Coal prices slid 5.2% in October to average \$48.3/t, and hit a low of \$47.2/t on 22 October.

There were 44 price changes to fixed domestic dual-fuel tariffs in October. Of these, 35 were reductions and 9 were increases. Some notable tariff decreases were seen at Zog Energy (-4.1% and -6.7%), npower (-4.2% and -9.1%), First Utility (-3.2% and -1.3%), Go Effortless Energy (-5.2%), Southend Energy (-3.0% and -2.9%) and Ovo Energy (-1.5%, -1.6%, -2.1% and -2.2%). Notable rises were in tariffs belonging to Peterborough Energy (+5.5%), First Utility (+4.4%) and Sainsbury's Energy (+9.0%).

Sustained low annual 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

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	13 Nov 15	34.15	35.78	35.75	38.40	45.80	8.36	44.66
Last week	6 Nov 15	35.60	37.64	36.00	39.73	48.00	8.48	48.46
Last month	14 Oct 15	39.90	40.99	40.80	42.13	48.20	8.37	48.94
Last year	14 Nov 14	53.50	56.53	48.00	50.58	71.70	6.75	77.91
Year-on-year % change		(36%)	(37%)	(26%)	(24%)	(36%)	24%	(43%)
Year high		60.20	59.47	53.30	52.53	73.40	8.63	80.40
Year low		33.40	35.59	35.04	38.30	45.80	6.33	43.33
<p>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.</p>								



## 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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