

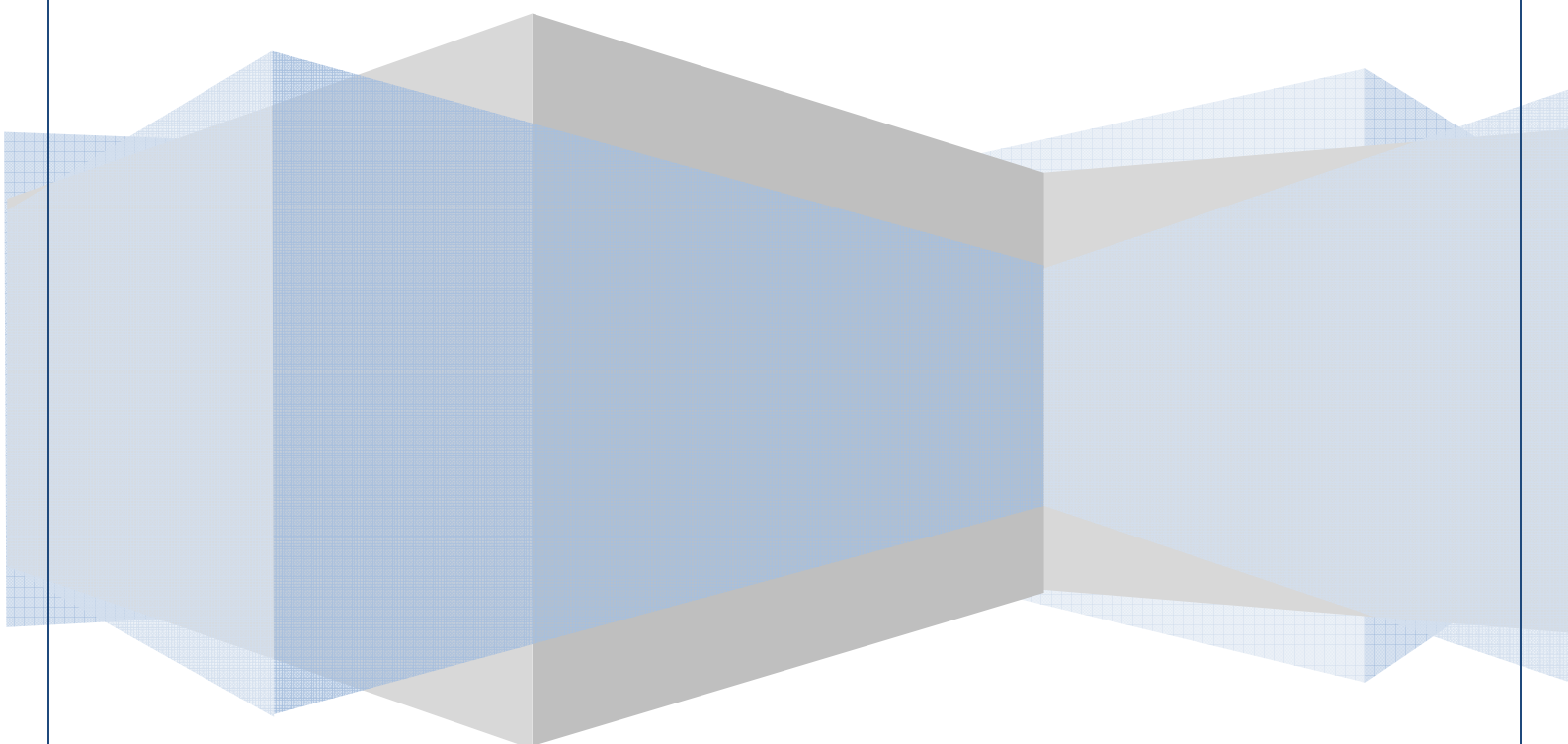
Energy Wholesale Market Review

Week Ending 27 November 2015



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Headlines 20/11/2015

Gas and power contracts reversed their downward trends this week, driven by lower temperatures in the shorter-term and mild supply concerns in the longer-term. Day-ahead gas rose 10.1% to 37.6p/th as heating requirements saw regional gas demand jump 18.8%. Day-ahead power followed, surging 23.4% to £44.1/MWh, hitting a seven-month high of £46.00/MWh on Friday afternoon as a result of colder temperatures (-20.1%) and increased power demand (+3.6%). This winter, there is only a £0.9/MWh difference between clean dark and spark spreads on average. The difference is now similar to summer levels, and we can expect to see coal to gas switching under these conditions. Brent crude fell 5.0% this week to average \$44.5/bl, the lowest weekly average 2009, amid record high global inventory levels. DECC has also lowered their wholesale gas and power price forecasts to 2035, with gas prices expected to stay low to the end of the decade.

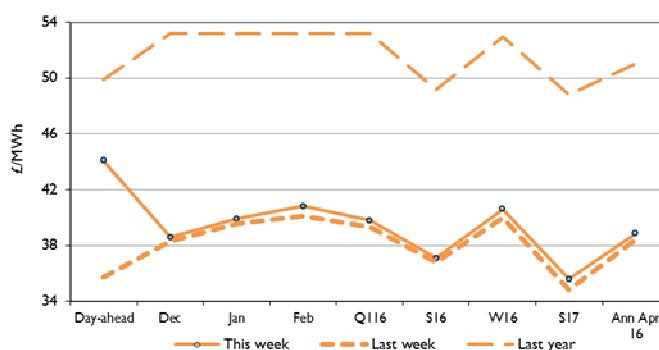
Baseload electricity

- Annual April 16 power rose 1.2% this week to £38.9/MWh.
- The contract followed its gas counterpart, which increased 2.3%.
- However, with commodity prices expected to remain low in the medium-term, power prices are unlikely to experience any significant gains in the near future.
- All power contracts climbed this week.
- Day-ahead power surged 23.4% to £44.1/MWh, hitting a seven-month high of £46.00/MWh on Friday afternoon. However, prices were 11.6% lower than this time last year (£49.9/MWh).
- Higher spot gas prices (+10.1%), colder temperatures (-20.1%) and increased power demand (+3.6%) pushed prices up.

Annual April contract



Forward curve comparison



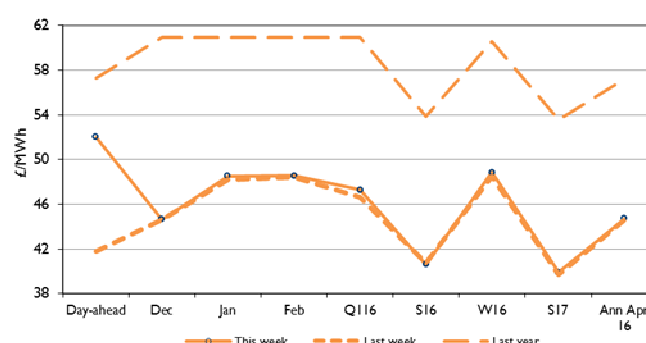
Peak electricity

- The annual April 16 peak power contract rose just 0.2% to £44.7/MWh this week.
- The contract was supported by gains in seasonal gas prices and an increase in its corresponding baseload power contract (+1.2%).
- The contract is now 4.3% below its value last month (£46.8/MWh) and 21.8%.
- Most peak power contracts rose this week.
- Day-ahead peak power surged 24.5% to £52.0/MWh, following its baseload power counterpart and supported by a rise in average peak daily demand (+3.6%).
- In contrast, Summer 16 peak power was down 0.4% to £40.6/MWh.

Annual April contract



Forward curve comparison

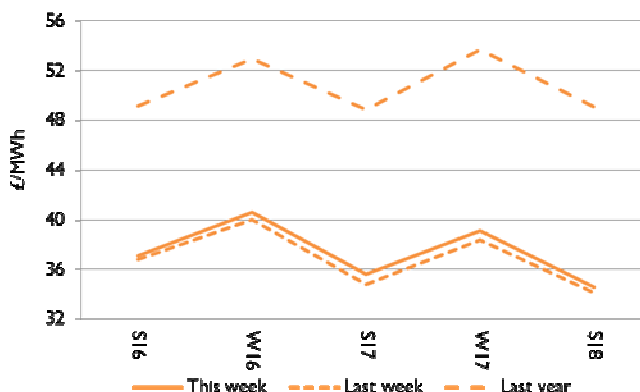


Seasonal power prices

Seasonal power contracts



Seasonal power curve



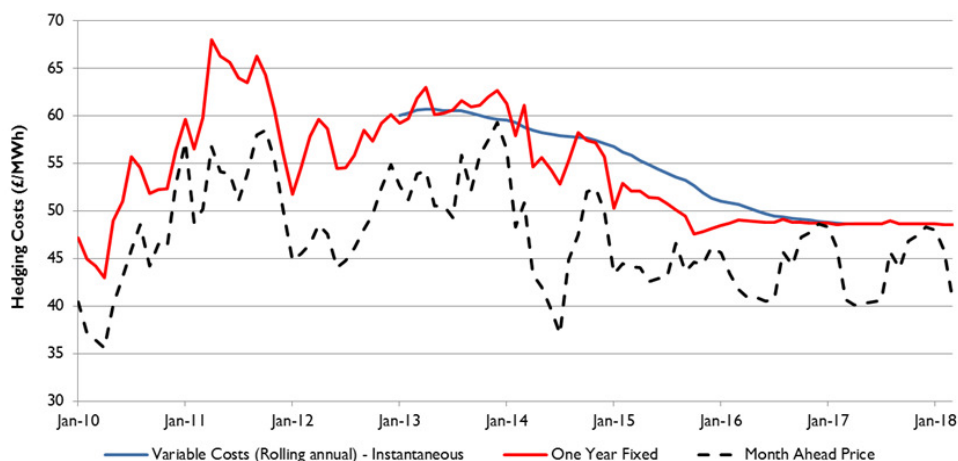
- Seasonal power contracts rebounded upward this week, as rises in prompt prices fed through to the forward curve.
- In addition, contracts were supported by gains in their gas counterparts.
- Summer 16 power climbed 0.8% to £37.1/MWh, and is now 4.7% under its value a month ago (£39.0/MWh).
- Seasonal contracts averaged rises of 1.6%.
- Winter 16 power boosted 1.5% to £40.6/MWh, and is now 23.3% below its value last year (£53.0/MWh).
- Summer 17 power gained 2.3% to £35.6/MWh, while the winter 17 contract lifted 2.0% to £39.1/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

Key market indicators:

20/11/2015

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	20 Nov 15	37.60	36.59	44.10	38.85	47.10	8.58	44.44
Last week	13 Nov 15	34.15	35.78	35.75	38.40	45.80	8.36	44.66
Last month	21 Oct 15	40.00	40.20	38.59	41.43	47.50	8.45	48.86
Last year	21 Nov 14	56.10	57.25	49.90	51.05	72.20	6.95	79.61
Year-on-year % change		(33%)	(36%)	(12%)	(24%)	(35%)	23%	(44%)
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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