

# Energy Wholesale Market Review

Week Ending 27<sup>th</sup> November 2015



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## Headlines 27/11/2015

Annual power and gas contracts, along with API 2 coal and Brent crude oil prices, remained near annual lows this week. Annual April 16 power was £39.0/MWh and the corresponding gas contract was 36.8p/th. Day-ahead power was down 13.8% this week to £38.0/MWh and day-ahead gas was 2.1% lower at 36.8p/th, as forecast temperatures climbed across the week. Backwardation exists in seasonal contracts for power and gas, with 2018 prices lower than those for 2017, and 2017 prices below those for 2016. In Europe, French day-ahead power prices jumped 36.5% to £37.9/MWh as a result of strike action by EDF workers. This pushed French prices higher than GB prices for part of the week and resulted in exports from GB to France. The annual April 16 clean spark spread reduced by 6.9% to £4.5/MWh and the equivalent clean dark spread widened by 1.6% to £5.3/MWh. Spreads are closer on day-ahead prices and coal to gas switching is increasingly likely.

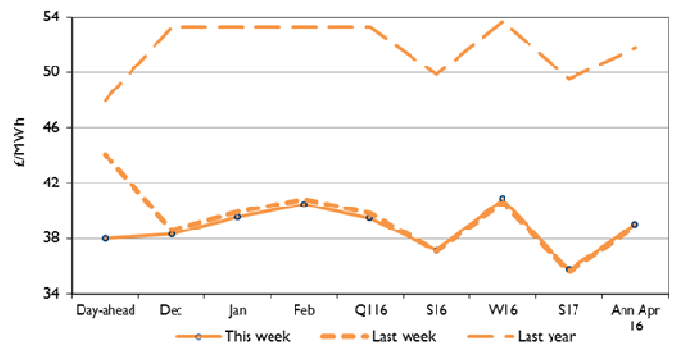
### Baseload electricity

- Annual April 16 power increased 0.4% to £39.0/MWh. The contract is now 3.8% lower than its value a month ago (£40.5/MWh).
- This gain was largely driven by a rise in the winter 16 contract, which was up 0.6% to £40.9/MWh.
- Contracts in the front quarter declined this week, with day-ahead power down 13.8% to £38.0/MWh.
- Prices slipped as the week progressed with forecast temperatures and wind generation rising.
- The day-ahead contract is now 2.6% under its level a month ago (£39.0/MWh).

Annual April contract



Forward curve comparison



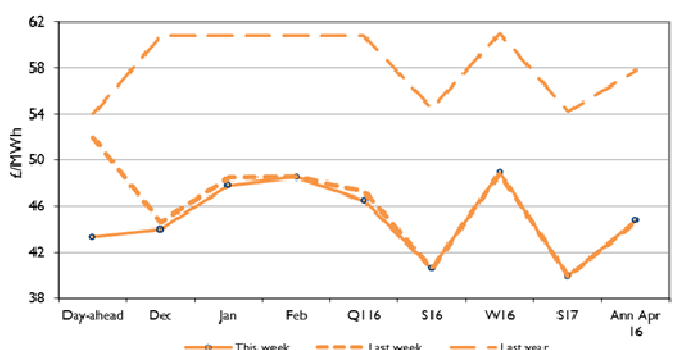
### Peak electricity

- Annual April 16 peak power edged up 0.1% this week to £44.8/MWh. The contract is now 3.4% lower than its level last month (£46.4/MWh) and 22.5% under its level last year (£57.8/MWh).
- Summer 16 peak power was unchanged at £40.6/MWh but the winter 16 price climbed 0.2% to £49.0/MWh.
- Most peak power contracts in the front quarter decreased this week. The day-ahead contract was 16.6% less at £43.4/MWh and month-ahead peak power was 1.5% lower at £44.0/MWh.
- Prices fell over the week as forecast temperatures climbed and wind generation increased.

Annual April contract

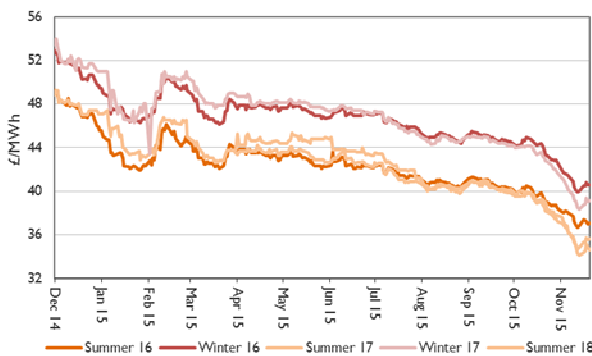


Forward curve comparison

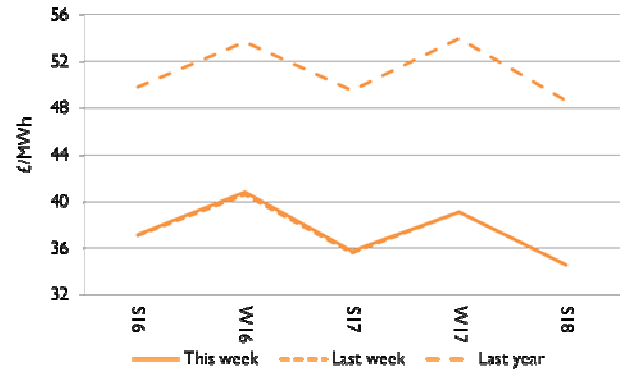


## Seasonal power prices

Seasonal power contracts



Seasonal power curve



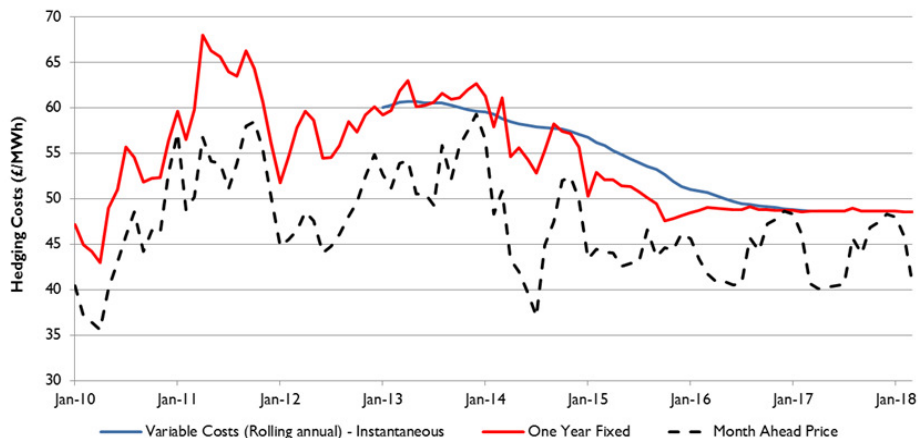
- Seasonal power contracts to summer 17 rose this week.
- Summer 16 power gained 0.1% to £37.2/MWh, which is 25.5% lower than the contract value last year (£49.9/MWh).
- The winter 17 contract was unchanged at £39.1/MWh but the summer 18 contract declined 0.1% to £34.6/MWh.
- Backwardation exists in the power market at present, with longer-term contracts lower than those in the shorter term.
- The summer 18 contract is currently £34.6/MWh, which is lower than summer 17 and summer 16 contract values (£35.8/MWh and £37.2/MWh respectively).

## 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:

27/11/2015

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	27 Nov 15	36.80	37.25	38.00	39.00	46.65	8.64	45.22
Last week	20 Nov 15	37.60	36.59	44.10	38.85	47.10	8.58	44.44
Last month	28 Oct 15	38.60	39.07	39.10	40.70	47.90	8.55	47.21
Last year	28 Nov 14	58.75	59.47	48.00	51.78	72.30	7.08	71.93
Year-on-year % change		(37%)	(37%)	(21%)	(25%)	(35%)	22%	(37%)
Year high		58.75	59.47	52.75	51.78	72.30	8.64	72.94
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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