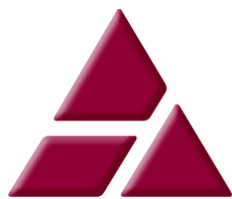




Energy Wholesale Market Review

Week Ending 11th December 2015



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Headlines 11/12/2015

Longer-term gas and power contracts returned to downward trends this week as falls in commodity prices fed into the UK energy market. Lower oil prices drove seasonal gas contracts down, with summer 16 gas falling 5.2% to a record low of 33.3p/th. Seasonal power contracts followed, with summer 16 power slipping 2.4% to a record low of £36.4/MWh. Meanwhile, spot gas and power contracts showed diverging trends. Day-ahead gas fell 3.5% to 36.1p/th, a three week low, as mild temperatures (40.1% above the seasonal norm) lowered demand for heating, while higher wind output limited gas demand for power generation. Day-ahead power lifted 4.5% to £39.40/MWh on rising demand and a forecast fall in wind output over the weekend. Brent crude oil declined 7.5% to average \$40.8/bl, reaching a seven-year low of \$38.7/bl on Friday afternoon, owing to prospects of rising OPEC output. API 2 coal prices trimmed 2.3% to average \$44.9/t, hitting a new low of \$44.4/t on Friday.

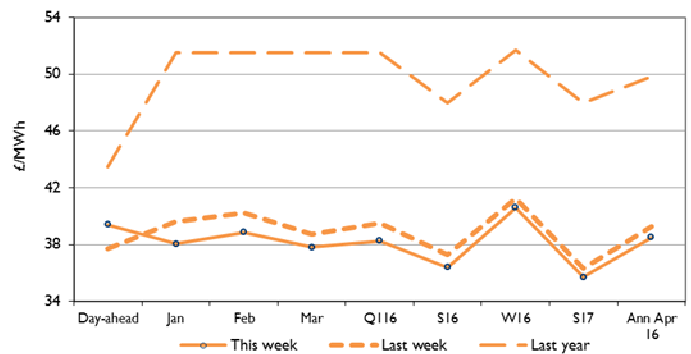
Baseload electricity

- Annual April 16 power fell 2.0% to £38.5/MWh, 22.8% under its value a year ago (£49.9/MWh).
- The contract followed commodities down, which remained the principle driver of price movements.
- With coal prices expected to remain subdued, oil prices at seven-year lows and gas prices currently following the oil market closely, power contracts are unlikely to experience any significant gains in the near-term.
- Most power contracts declined this week.
- The only exception was the day-ahead contract, which rose 4.5% to £39.4/MWh as rising demand and forecast falls in wind output expected over the weekend lifted prices.
- Month-ahead power fell 4.0% to £38.1/MWh.

Annual April contract



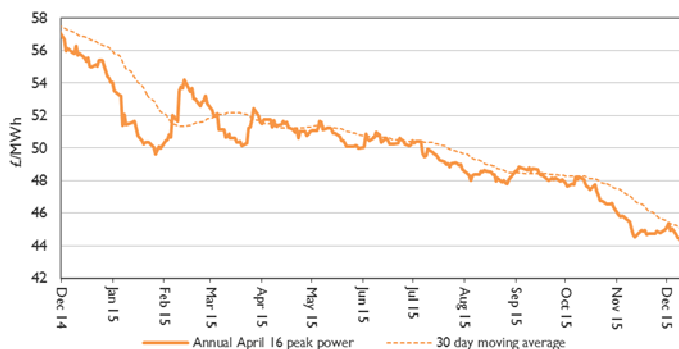
Forward curve comparison



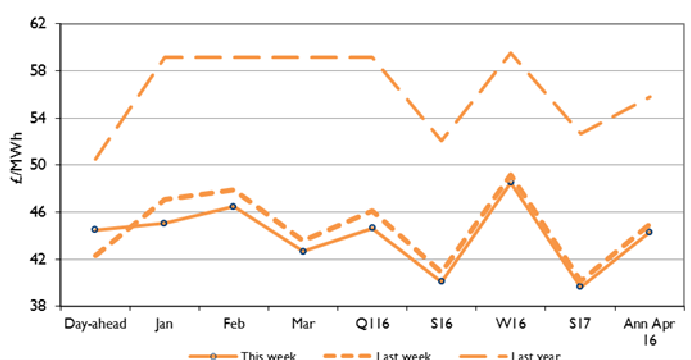
Peak electricity

- Annual April 16 peak power dropped 1.6% this week to £44.3/MWh. The contract is now 20.6% under its level last year (£55.8/MWh).
- Summer 16 peak power was up 0.7% to £40.9/MWh and the winter 16 contract climbed 0.4% to £49.2/MWh.
- Most peak power contracts decreased this week.
- The only exception was the day-ahead contract which rose 5.2% to £44.5/MWh, with a slight rise in average peak daily demand.
- Month-ahead peak power declined 4.4% to £45.1/MWh.

Annual April contract



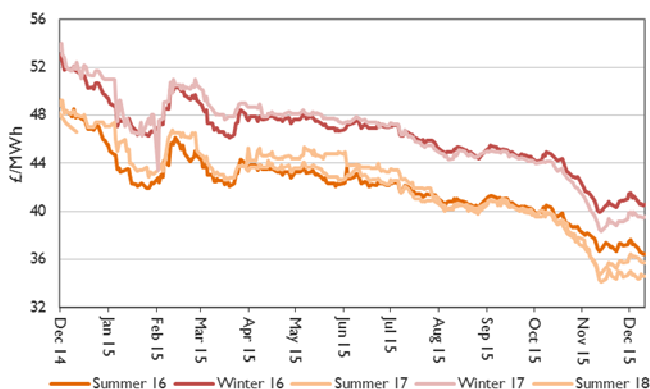
Forward curve comparison



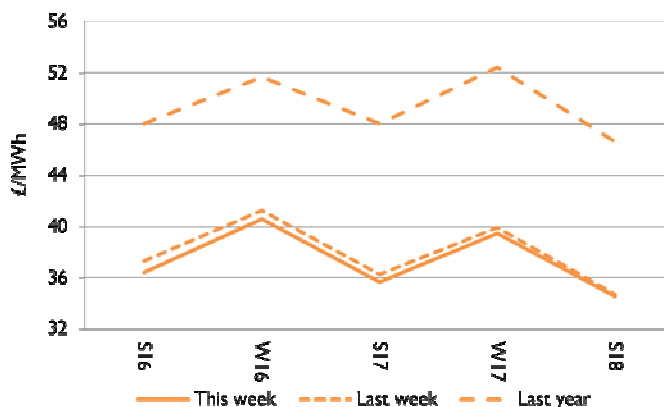


Seasonal power prices

Seasonal power contracts



Seasonal power curve



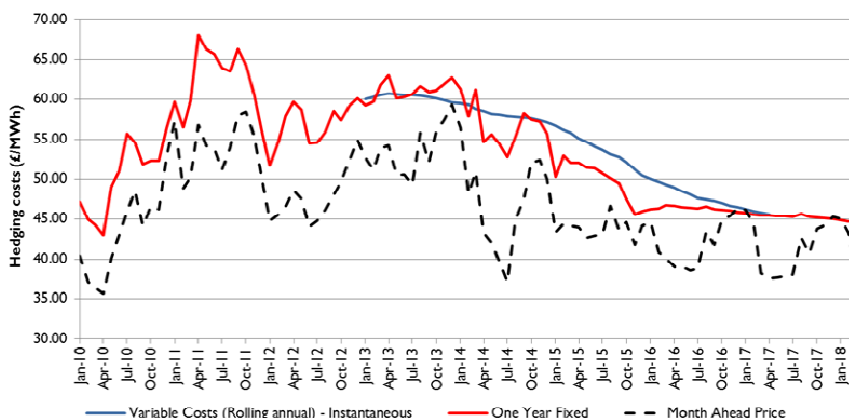
- All seasonal power contracts declined this week.
- Summer 16 power slipped 2.4% to a record low of £36.4/MWh, which is 24.2% lower than the contract value last year (£48.0/MWh).
- The winter 16 contract decreased 1.6% to £40.6/MWh and the summer 17 contract fell 1.7% to £35.7/MWh.
- Seasonal power contracts were pressured by lower commodity prices this week; coal prices fell to record lows while all gas contracts fell.
- Backwardation remains in the power market at present.
- The summer 18 contract is currently £34.6/MWh, which is lower than summer 17 and summer 16 contract values (£35.7/MWh and £36.4/MWh respectively).

Supplier hedging strategies

The annual April 16 power contract fell 6.3% average £39.1/MWh in November; the largest monthly fall since January 2015. Commodity prices remained the principle driver of power contracts, which broadly followed gas and coal prices down. Annual April 16 gas tumbled 9.0% to average 36.9p/th in November. Coal prices decreased 2.7% to average \$47.0/t, and hit a low of \$45.8/t on 13 November.

There were 37 price changes to fixed domestic dual-fuel tariffs in November. Of these, 34 were reductions and 3 were increases. Some notable tariff decreases were seen at Utility Warehouse (-2.8%), Go Effortless Energy (-2.8%), First Utility (-5.2%), RWE npower (-3.7% and -7.2%), Extra Energy (-2.9%, -6.5% and -1.7%), SSE (-15.5%), Places for People Energy (-3.5%) and Sainsbury's Energy (-4.7%). Notable rises were in tariffs belonging to First Utility (+1.3% and +6.1%) and RWE npower (+10.4%).

Annual power and gas contracts continued to fall in November, allowing 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:

11/12/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	11 Dec 15	36.10	35.63	39.40	38.50	44.60	8.01	39.08
Last week	4 Dec 15	37.40	37.16	37.70	39.28	45.65	8.54	43.23
Last month	11 Nov 15	34.15	35.74	35.75	38.50	46.80	8.42	47.23
Last year	12 Dec 14	54.30	54.80	43.50	49.85	70.20	6.66	63.05
Year-on-year % change		(34%)	(35%)	(9%)	(23%)	(36%)	20%	(38%)
Year high		54.75	54.80	47.00	49.85	70.20	8.64	68.94
Year low		33.40	35.59	35.04	38.30	44.60	6.33	39.08

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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