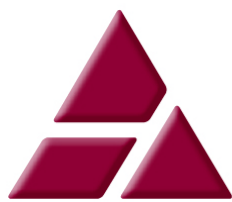




# Energy Wholesale Market Review

Week Ending 26<sup>th</sup> August 2016



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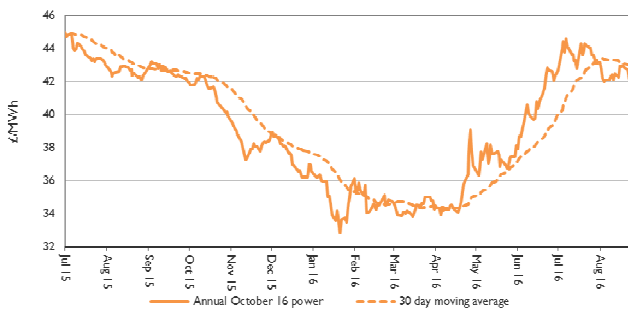
## Headlines 26/08/2016

The majority of wholesale power and gas contracts decreased this week. Seasonal gas contracts dropped to multi-month lows, with gas for winter 16 experiencing the largest decline on news that Centrica will make 20 wells available at Rough gas storage facility from 1 November 2016. The news pulled the contract down to a two-month low of 39.8p/th on Thursday. Week-on-week, day-ahead gas was broadly unchanged, but fell to 27.0p/th on Monday, the lowest price in over six years. Day-ahead power (for delivery Bank Holiday Monday) dropped 6.0% to £35.1/MWh with demand expected to be low on the Bank Holiday. All seasonal baseload power contracts also went down. Winter 16 power trimmed 1.6% to £45.6/MWh, hitting a two-month low of £45.2/MWh on Thursday. The day-ahead clean dark spread (coal) once again turned negative, falling to -£1.6/MWh. This has continued to encourage coal-to-gas switching, with figures issued by BEIS on 25 June revealing that in the three months to the end of June coal's share of the generation mix was down to its lowest level in 21 years at 6.8%.

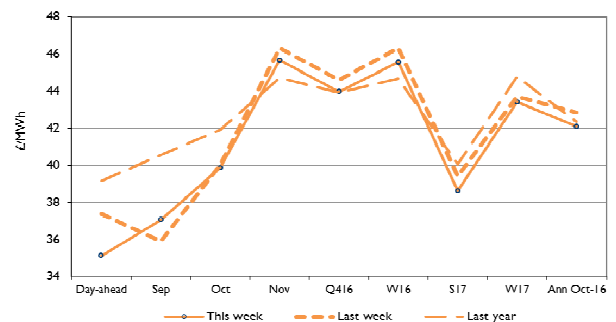
### Baseload electricity

- Most baseload power contracts declined this week, following gas and coal prices lower.
- Annual October 16 power fell 1.8% to £42.1/MWh.
- The contract is now 2.3% under its level last month (£43.1/MWh), and 0.6% below its value last year (£42.4/MWh).
- Day-ahead power dropped 6.0% to £35.1/MWh. Spot prices declined toward the end of the week as renewables output was forecast to rise. In addition, current day-ahead prices are for bank holiday Monday when demand is expected to be low.

#### Annual October contract



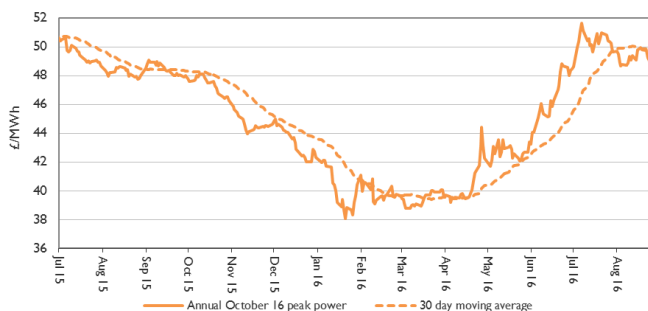
#### Forward curve comparison



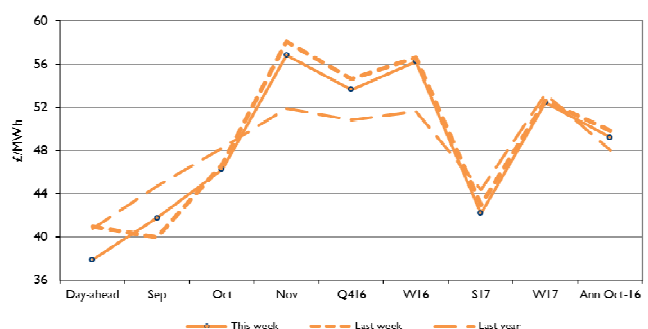
### Peak electricity

- Annual October 16 peak power declined 1.2% this week to £49.2/MWh, with a fall in both the winter 16 and summer 17 contracts.
- The contract is now 0.8% below its level last month (£49.6/MWh), but 2.6% above its level last year (£48.0/MWh).
- The majority of peak power contracts decreased.
- Day-ahead peak power (for delivery on Bank Holiday Monday) dropped 7.6% to a two-week low of £37.9/MWh, with a reduction in its baseload counterpart.
- The only contract to experience a rise was month-ahead peak power, which increased 4.4% to £41.8/MWh.

#### Annual October contract



#### Forward curve comparison



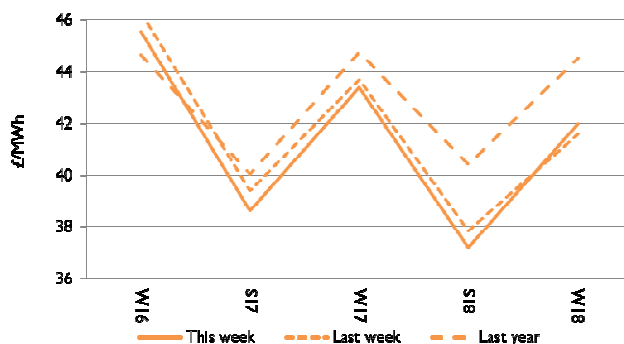


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve



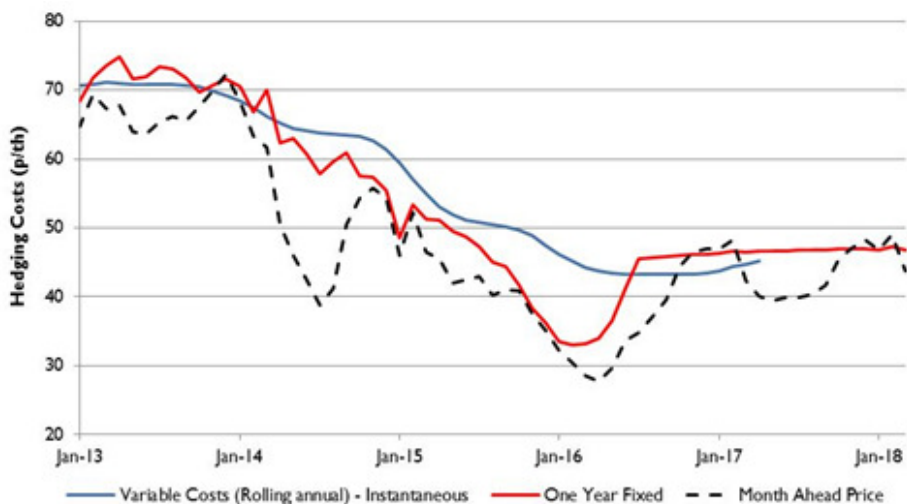
- All seasonal baseload power contracts experienced falls this week, some hitting multi-month lows.
- Summer 17 power dipped 2.0% to £38.6/MWh, and also hit a two-month low of £38.5/MWh on Thursday.
- Winter 16 power trimmed 1.6% to £45.6/MWh, and hit a two-month low of £45.2/MWh on Thursday. The contract followed its gas counterpart lower, which in turn dropped on news that Rough gas storage facility would have some available capacity for the coming winter.

## Supplier hedging strategies

There was a bullish trend in the GB energy market in July, with all gas and power contracts experiencing gains. The annual October 16 gas contract rose 9.0% to 42.6p/th. The annual October 16 baseload power contract improved 7.3% to average £43.8/MWh, following the gas market higher. API 2 coal rose 9.1% to average \$58.8/t, although Brent crude oil prices lost 5.3% to average \$47.2/bl in July.

There were 30 price changes to fixed domestic dual-fuel tariffs in July. Of these, four were reductions and 26 were increases. Some notable tariff increases (>4.0%) were seen at Extra Energy (+21.8%, +21.7% and +13.6%), Sainsbury's Energy (+12.6% and +11.2%), Spark (+9.6%), Co-operative Energy (+7.0%), Green Star Energy (+5.4%), Flow Energy (+5.3%) and First Utility (+4.6%).

Increased wholesale power and gas prices are now feeding into domestic retail tariffs. July therefore experienced a larger-than-normal number of tariff changes, many of which showed substantial gains. The market leading dual-fuel tariff at the start of the month was priced at £734 per year for a typical medium user. By the end of the month, the market leading tariff was £770 per year for a typical medium user.





## Wholesale price snapshot

Key market indicators: 26/08/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	26 Aug 16	28.35	38.70	35.11	42.08	57.00	4.73	49.27
Last week	19 Aug 16	28.30	40.17	37.35	42.85	57.00	4.80	50.74
Last month	29 Jul 16	35.75	41.70	39.40	43.08	61.00	4.41	42.26
Last year	28 Aug 15	38.80	42.78	39.13	42.35	53.15	8.09	47.66
Year-on-year % change		(27%)	(10%)	(10%)	(1%)	7%	(42%)	3%
Year high		42.45	43.89	48.40	44.63	61.75	8.64	53.61
Year low		27.00	29.88	26.56	32.84	36.55	4.39	27.83

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 15 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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