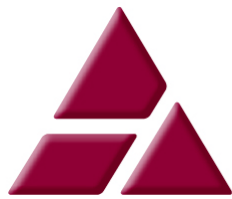


Energy Wholesale Market Review

Week Ending 8th January 2016



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Headlines 08/01/2016

Short-term and long-term power and gas contracts experienced diverging trends this week. Following record low prices over the Christmas period, colder temperatures (-29.3% week-on-week), lower wind output (-7.2%) and increased demand levels supported spot contracts. Day-ahead gas climbed 4.9% to a four-week high of 34.2p/th, while day-ahead power surged 14.7% to a four-week high of £39.0/MWh. In contrast, most seasonal contracts decreased. Annual April 16 gas was unchanged at 33.1p/th, but hit a record low of 32.7p/th on Monday as lower oil prices continued to pressure gas contracts. Annual April 16 power fell 1.0% to a record low of £36.3/MWh. Brent crude oil slid 3.4% to average \$35.7/bl, reaching a fresh 11-year low of \$33.5/bl on Friday, as concerns of increasing OPEC output levels and falls in the Chinese stock market weighed on prices. EU ETS carbon prices fell 3.4% this week to average €8.0/t, hitting six-month low of €7.6/t on Thursday.

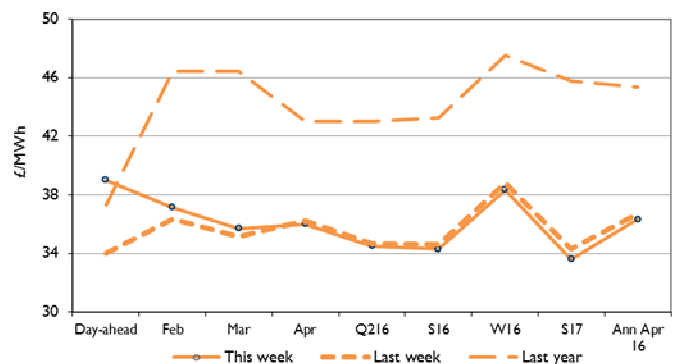
Baseload electricity

- Annual April 16 power fell 1.0% to a record low of £36.3/MWh this week, 5.6% under its value last month (£38.5/MWh) and 19.9% below its value a year ago (£45.4/MWh).
- Throughout 2015, the contract followed commodity prices down. This trend has continued in the first week of 2016, where record low coal, oil and gas prices have fed directly into the GB electricity market.
- Power contracts to March 2016 decreased this week, while all other contracts rose.
- Day-ahead power surged 14.7% to a four-week high of £39.0/MWh as a boost in power demand (up 20.2% week-on-week), lower wind output (down 7.2%) and colder temperatures (down 29.3%) supported prices.
- Month-ahead power rose 2.2% to £37.2/MWh.

Annual April contract



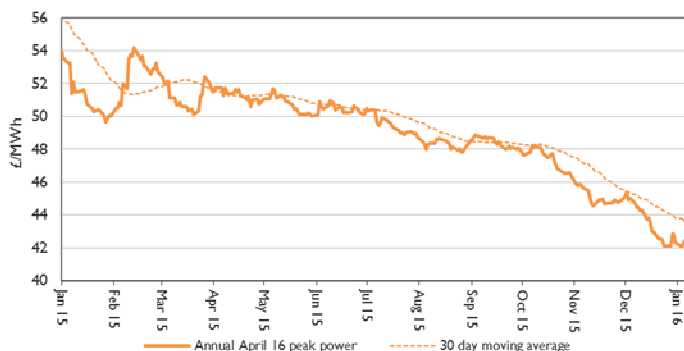
Forward curve comparison



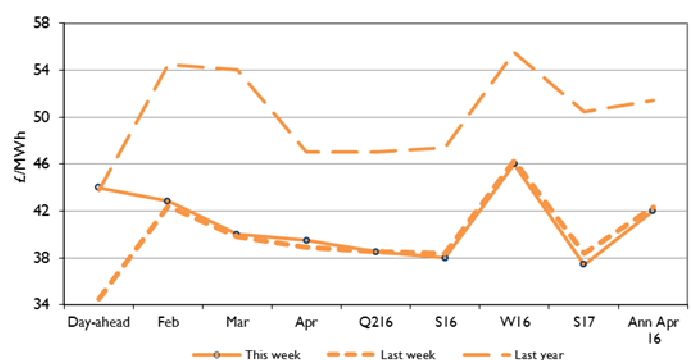
Peak electricity

- Annual April 16 peak power dropped 0.8% this week to a record low of £42.0/MWh, following its baseload counterpart lower.
- The contract is now 5.2% lower than its level last month (£44.3/MWh) and 18.4% under its level last year (£51.5/MWh).
- Peak power contracts to March 2016 increased this week, while most other contracts decreased.
- Peak day-ahead power surged 27.5% to £44.0/MWh, mostly owing to peak power demand returning to normal levels after the Christmas period. Average daily peak demand climbed 18.8%.

Annual April contract



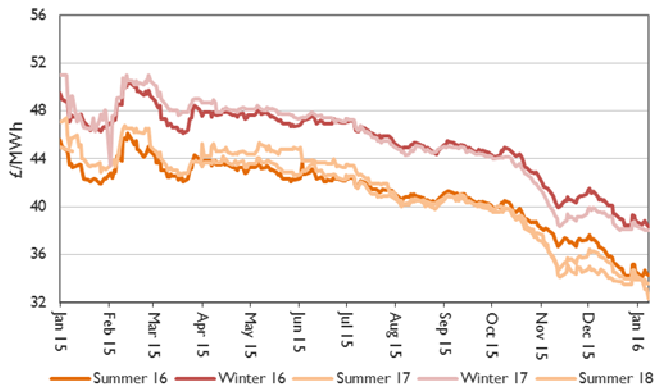
Forward curve comparison



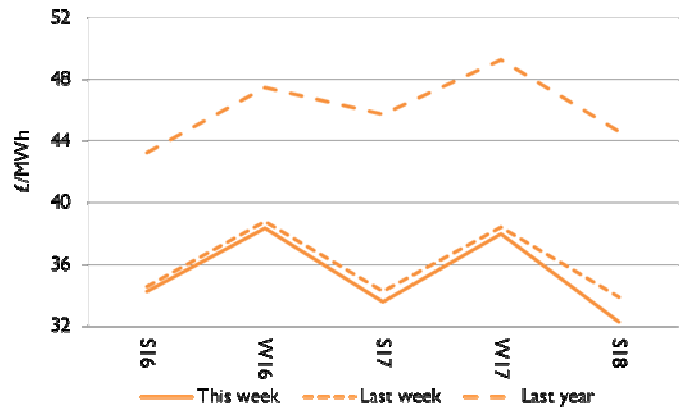


Seasonal power prices

Seasonal power contracts



Seasonal power curve



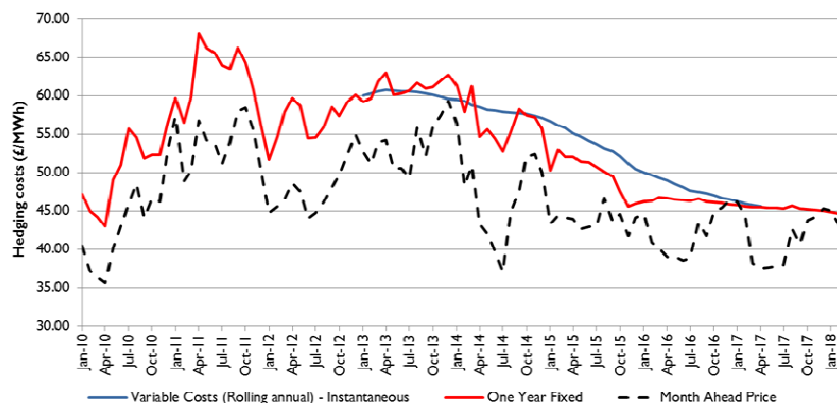
- All seasonal power contracts declined this week.
- Summer 16 power slipped 0.9% to £34.3/MWh, hitting a record low of £34.1/MWh on Monday. The contract is now 20.7% lower than its value last year (£43.3/MWh).
- The winter 16 contract decreased 1.2% to £38.4/MWh and summer 17 power trimmed 2.0% to £33.6/MWh.
- Seasonal power contracts are currently at their lowest levels since March 2010.
- Falling commodity markets continued to drive seasonal power down over the Christmas period.
- Backwardation remains in the power market, with longer-term contracts lower than those in the shorter term.
- The summer 18 contract is currently £32.3/MWh, which is lower than summer 17 and summer 16 contract values (£33.6/MWh and £34.3/MWh respectively).

Supplier hedging strategies

The annual April 16 power contract fell 3.3% to average £37.8/MWh in December, reaching a record low of £36.3/MWh on 24 December. The contract followed is gas counterpart lower, with annual April 16 gas slipping 5.2% to average 35.0p/th. Annual power and gas contracts reached their lowest levels since March 2010 and remained under pressure from oil and coal prices which fell to record lows during the month. Brent crude oil tumbled 15.8% to average \$39.1/bl, hitting an 11-year low of \$36.4/bl on 22 December. Coal prices fell 5.1% to average \$44.6/t.

There were 16 price changes to fixed domestic dual-fuel tariffs in December. Of these, 9 were reductions and 7 were increases. Some notable tariff decreases were seen at Extra Energy (-2.6%), British gas (-5.2%), Green Star Energy (-2.0%) and GnERGY (-5.6%). The only notable rises were in tariffs belonging to Extra Energy (+4.0%) and First utility (+1.2%). All other tariff rises were below 1.0%.

Annual power and gas contracts continued their downward trend in December. Lower wholesale power and gas prices have allowed suppliers to offer a greater number of lower fixed term deals, with those now offering lower prices more likely to be shorter-hedged, passing on wholesale price reductions through their tariffs.





Wholesale price snapshot

Key market indicators:

08/01/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	8 Jan 16	34.15	33.09	39.00	36.33	44.00	7.64	34.06
Last week	31 Dec 15	32.55	33.08	34.00	36.70	44.30	8.30	36.71
Last month	9 Dec 15	37.00	36.01	37.45	38.63	44.90	8.37	40.64
Last year	9 Jan 15	46.10	48.31	37.30	45.38	59.50	6.79	50.59
Year-on-year % change		(26%)	(32%)	5%	(20%)	(26%)	13%	(33%)
Year high		54.75	52.22	47.00	48.33	64.20	8.64	68.94
Year low		30.60	32.74	26.56	36.30	43.45	6.33	34.06

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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