

# Energy Wholesale Market Review

Week Ending 15<sup>th</sup> January 2016



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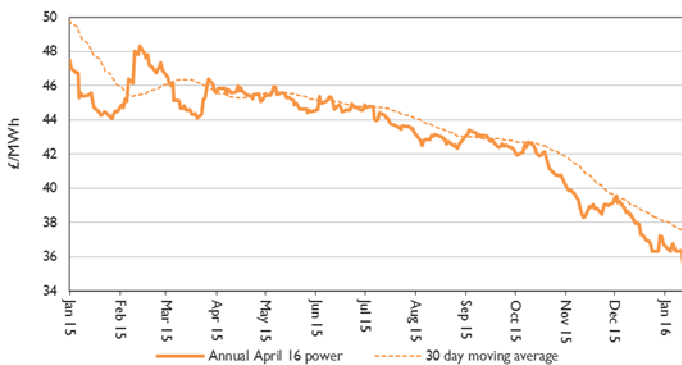
## Headlines 15/01/2016

Seasonal power contracts are now at their lowest levels since 2007, as the commodity background continued to drive prices down. Summer 16 gas fell 7.2% to 28.7p/th, weighed on by falling oil prices, while summer 16 power decreased 5.7% to £32.4/MWh, following its gas counterpart. Spot gas and power contracts experienced diverging trends. Day-ahead gas dropped 5.0% to 32.3p/th as increased supplies outweighed higher demand levels. In contrast, day-ahead power surged 9.5% to an eight-week high of £40.3/MWh as power supply margins are forecast to tighten significantly early next week. Brent crude oil tumbled 12.6% this week to average \$31.2/bl, reaching a fresh 11-year low of \$29.6/bl on Friday, as oil export sanctions on Iran could be lifted within days. API 2 coal prices declined 9.8% this week to average \$39.6/t. EU ETS carbon prices fell 10.3% this week to average €7.2/t, hitting a 10-month low of €6.8/t on Friday.

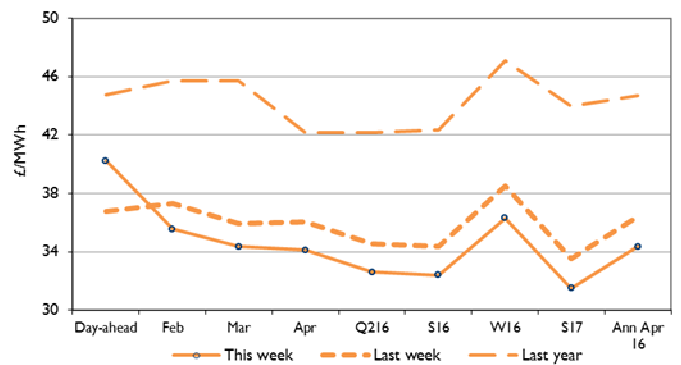
### Baseload electricity

- Annual April 16 power fell 5.7% to a record low of £34.4/MWh this week, 7.9% under its value last month (£37.3/MWh), as seasonal power contracts dropped to their lowest levels since 2007.
- Commodity prices remained the primary driver of wholesale power contracts this week. Oil prices are now at 11-year lows, coal prices at 12-year lows and gas prices at near six-year lows.
- Most power contracts dropped this week.
- The only exception was day-ahead power, which surged 9.5% to an eight-week high of £40.3/MWh colder temperatures (-46.9%), higher power demand (+6.1%) and reduced wind output (-14.8%) supported prices. In addition, supply margins are forecast to tighten early next week.
- Month-ahead power fell 4.7% to £35.6/MWh.

#### Annual April contract



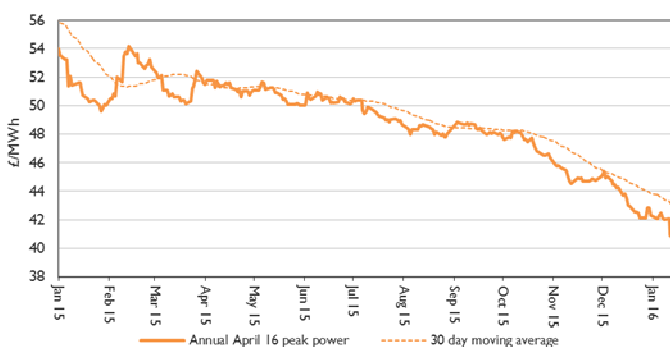
#### Forward curve comparison



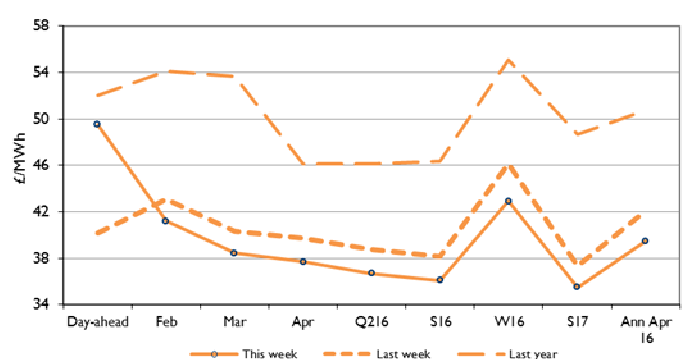
### Peak electricity

- Annual April 16 peak power dropped 6.2% this week to a record low of £39.5/MWh, following its baseload counterpart lower.
- The contract is now 8.0% lower than its level last month (£42.9/MWh) and 22.2% under its level last year (£50.8/MWh).
- Most peak power contracts decreased this week.
- The only exception was the peak day-ahead power contract, which surged 23.1% to an eight week high of £49.5/MWh, as supply margins are forecast to tighten significantly early next week.
- Month-ahead peak power fell 4.4% to £41.2/MWh.

#### Annual April contract



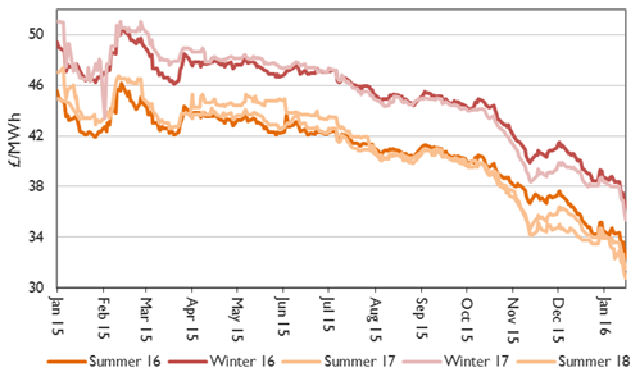
#### Forward curve comparison



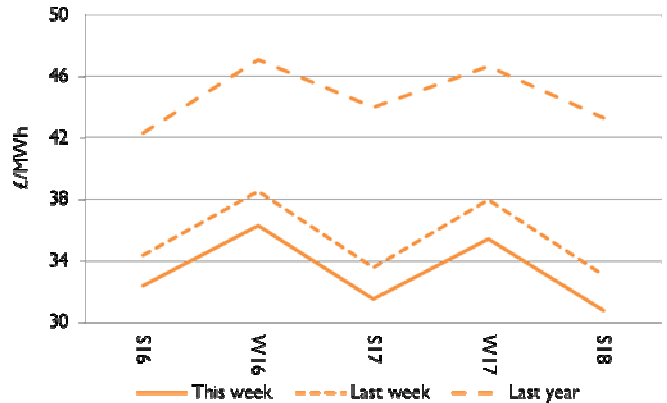


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve



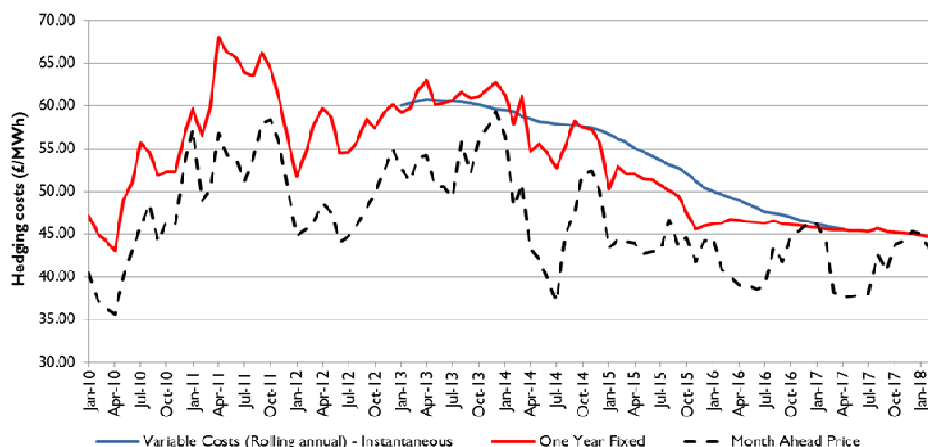
- All seasonal power contracts experienced sharp declines and fell to record lows this week.
- Summer 16 power slipped 5.7% to £32.4/MWh, 8.1% under its value a month ago (£35.3/MWh) and 23.5% lower than its value last year (£42.3/MWh).
- The winter 16 contract decreased 5.7% to £36.3/MWh and summer 17 power trimmed 6.1% to £31.5/MWh.
- Seasonal power contracts are currently at their lowest levels since 2007.
- Record low oil prices have fed directly into UK gas prices, which in turn have driven power prices down. In addition, 12-year low coal prices have pressured power contracts.
- Backwardation remains in the power market, with longer-term contracts lower than those in the shorter term.

## 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:

15/01/2016

	Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 15 Jan 16	32.30	30.72	40.25	34.35	37.80	6.79	29.64
Last week 8 Jan 16	34.15	33.09	39.00	36.33	44.00	7.64	34.06
Last month 16 Dec 15	34.15	34.93	35.55	37.90	44.60	8.07	37.36
Last year 16 Jan 15	47.50	46.62	44.75	44.72	59.00	7.15	48.98
Year-on-year % change	(32%)	(34%)	(10%)	(23%)	(36%)	(5%)	(39%)
Year high	54.75	52.22	47.00	48.33	64.20	8.64	68.94
Year low	30.60	30.72	26.56	34.35	37.80	6.33	29.64

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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