

Energy Wholesale Market Review

Week Ending 29th January 2016



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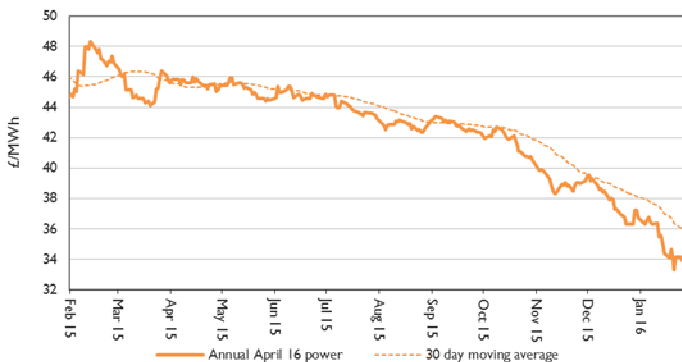
Headlines 29/01/2016

Seasonal gas and power contracts rebounded upward this week on the back of improved commodity markets. Summer 16 gas lifted 3.8% to 29.3p/th, hitting a three-week high of 30.1p/th on Thursday, as a boost in oil prices fed into gas contracts. Summer 16 power followed higher, rising 2.2% to £32.8/MWh, hitting a two-week high of £33.2/MWh on Thursday. Despite recent gains, seasonal power contracts have remained at nine-year low levels. Meanwhile, spot gas and power contracts experienced diverging trends. Day-ahead power fell 2.7% to £32.4/MWh as increased wind output and milder temperatures reduced power demand (-12.5% week-on-week). In contrast, day-ahead gas rose 1.8% to 30.4p/th as gas supplies to the UK fell 23.0%. Brent crude oil surged 10.6% to average \$32.2/bl, the largest weekly gain since September 2015, on renewed hopes that OPEC and non-OPEC members would cooperate to tackle the supply glut. EU ETS carbon fell 8.0% to average €6.0/t.

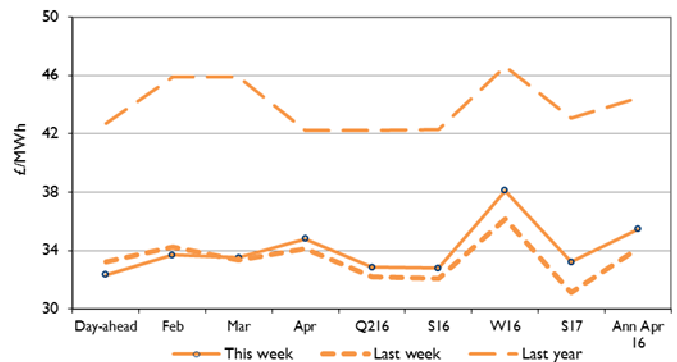
Baseload electricity

- Annual April 16 power boosted 3.9% to £35.5/MWh this week following a rebound in commodity markets.
- A 10.6% surge in oil prices caused seasonal gas contracts to rise by 6.9% on average, which fed directly into GB power prices.
- The contract is 3.4% under its value last month (£36.7/MWh), and 20.2% under its level a year ago (£44.5/MWh).
- Shorter-term power contracts decreased this week, while long-term contracts rose.
- Day-ahead power fell 2.7% to £32.4/MWh as increased wind output (+143.8% week-on-week) and milder temperatures (+203.9%) reduced power demand (-12.5%).
- Month-ahead power decreased 1.6% to £33.7/MWh.

Annual April contract



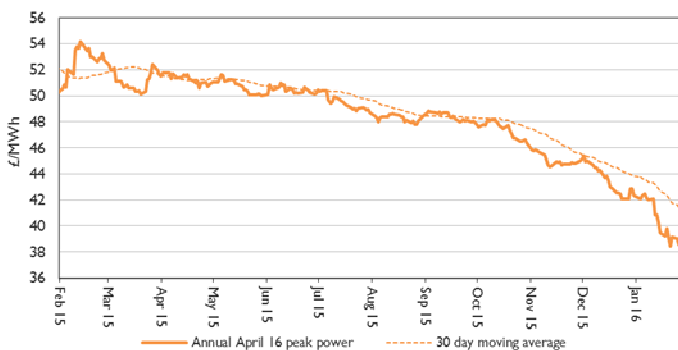
Forward curve comparison



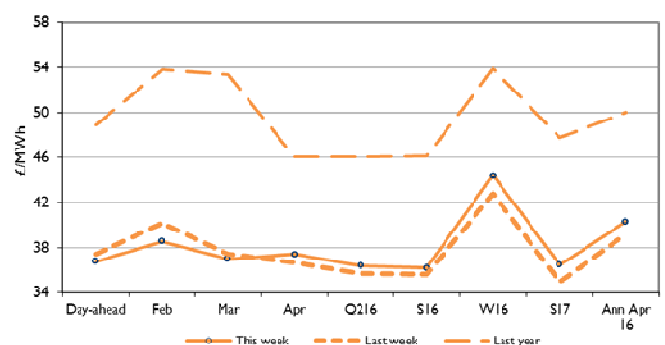
Peak electricity

- Annual April 16 peak power increased 2.9% this week to a two-week high of £40.3/MWh, following its baseload counterpart higher.
- However, the contract is 4.8% lower than its level last month (£42.3/MWh) and 19.4% under its level last year (£50.0/MWh).
- Summer 16 peak power lifted 1.7% to £36.2/MWh.
- Shorter-term peak power contracts fell this week, while longer-term contracts rose.
- The peak day-ahead power contract declined 1.7% to £36.80/MWh, owing to healthier supply margins compared to the previous week.
- Month-ahead peak power declined 4.0% to £38.6/MWh.

Annual April contract



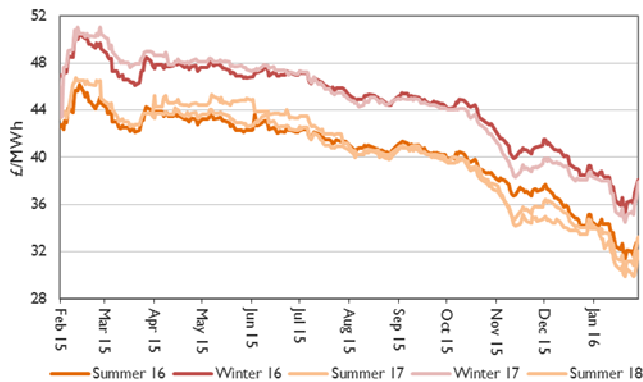
Forward curve comparison



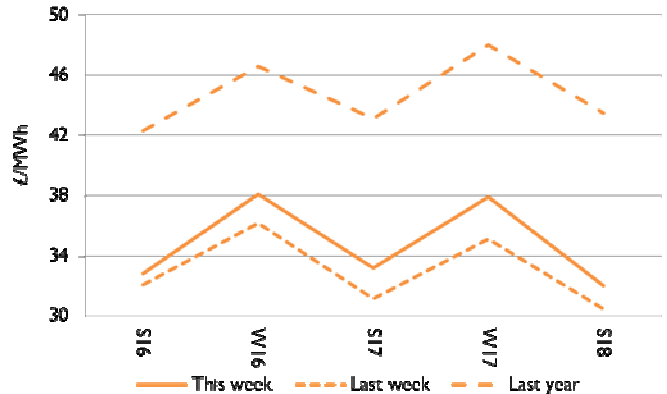


Seasonal power prices

Seasonal power contracts



Seasonal power curve



- All seasonal power contracts climbed this week.
- Summer 16 power lifted 2.2% to £32.8/MWh, hitting a two-week high of £33.2/MWh on Thursday. However, the contract is now 5.2% under its value a month ago (£34.6/MWh), and 22.5% under its level a year ago (£42.3/MWh).
- The winter 16 contract increased 5.4% to £38.1/MWh and summer 17 power gained 6.6% to £33.2/MWh.

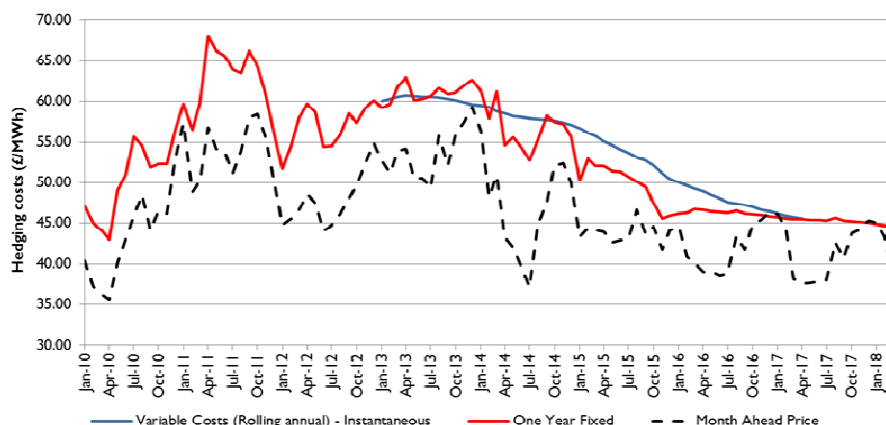
- Seasonal power contracts lifted on the back of improved commodity markets this week.
- A 10.6% surge in oil prices caused seasonal gas contracts to rise by 6.9% on average, which fed directly into GB power prices.
- Backwardation remains in the power market, with longer-term contracts lower than those 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:

29/01/2016

	Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 29 Jan 16	30.35	32.08	32.35	35.45	39.30	6.08	33.95
Last week 22 Jan 16	29.80	30.48	33.25	34.13	39.00	6.41	30.86
Last month 30 Dec 15	30.60	34.08	33.10	37.20	44.30	8.29	37.10
Last year 30 Jan 15	47.75	46.75	42.70	44.45	59.25	7.05	48.91
Year-on-year % change	(36%)	(31%)	(24%)	(20%)	(34%)	(14%)	(31%)
Year high	54.75	52.22	48.40	48.33	64.20	8.64	68.94
Year low	28.75	29.46	26.56	33.31	37.80	5.94	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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