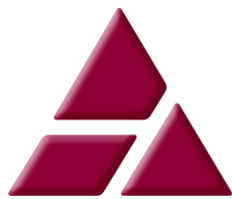




# Energy Wholesale Market Review

Week Ending 4<sup>th</sup> March 2016



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## Headlines 04/03/2016

Seasonal power and gas contracts returned to their downward trend this week. Summer 16 gas dropped 4.1% to 27.0p/th as an increasingly more comfortable supply outlook weighed on prices. LNG imports into the UK were up by 52.5% year-on-year in Q415, and this trend is likely to continue. Seasonal power contracts followed gas prices lower, with summer 16 power falling 2.2% to £31.0/MWh. In contrast, spot gas and power contracts increased. Day-ahead gas rose 0.8% to 30.5p/th with both cooler weather and reduced wind output expected early next week. Day-ahead power climbed 3.0% to £35.2/MWh as with supply margins are forecast to tighten for next Monday. Brent crude oil gained 6.8% to reach a two-month high average of \$36.5/bl amid falling US crude production levels. API 2 coal dipped 0.4% to average \$38.6/t as weaker European demand levels have weighed on prices. EU ETS carbon declined 3.0% to average €4.9/t, the lowest weekly average since April 2014.

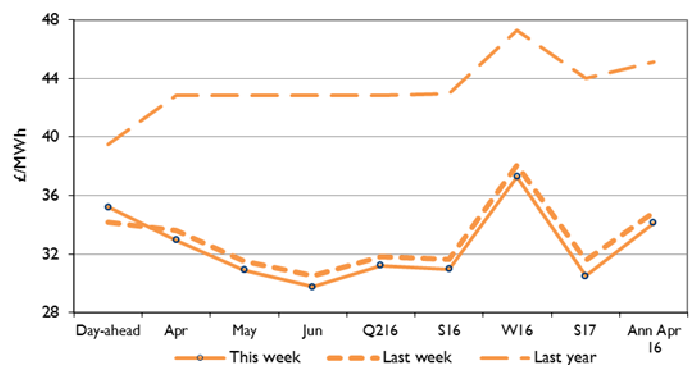
### Baseload electricity

- Annual April 16 power declined 2.2% to £34.1/MWh as lower gas prices weighed on the contract. Prices are now 2.3% below levels a month ago (£34.9/MWh), and 24.4% under levels a year ago (£45.2/MWh).
- In addition, DECC plans to bring the Capacity Market forward by a year. This has increased security of supply confidence for winter 17, and helped lower prices further out.
- Most power contracts along the forward curve decreased this week.
- Day-ahead power was the exception, rising 3.0% to £35.2/MWh. Prices lifted as wind output is forecast to fall early next week and supply margins are expected to tighten.
- Month-ahead power went down 1.9% to £33.0/MWh.

#### Annual April contract



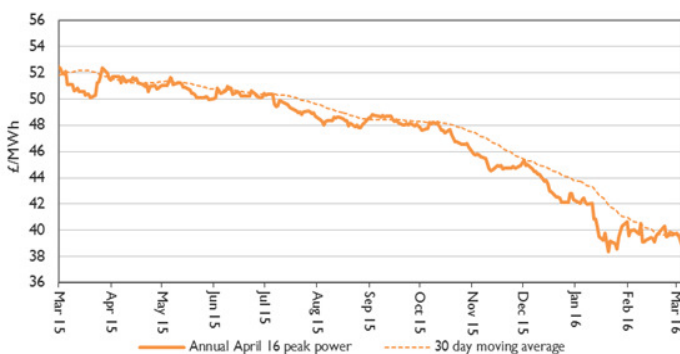
#### Forward curve comparison



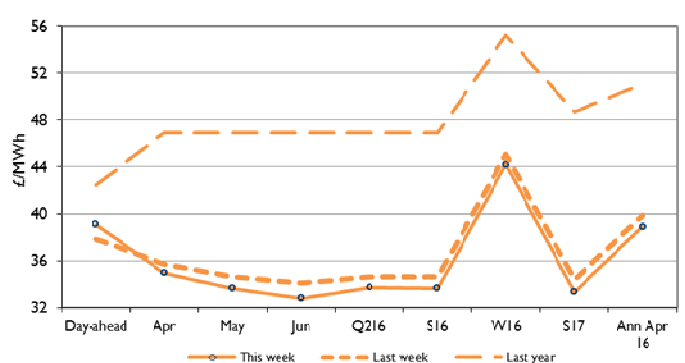
### Peak electricity

- Annual April 16 peak power fell 2.3% to £38.9/MWh.
- Recent falls can be attributed to lower gas prices. However, the gap between baseload and peak power contracts has widened in recent weeks, indicating that the forecast tightening of supply margins is being priced into the forward peak power curve.
- Most peak electricity prices were lower this week.
- The exception was day-ahead peak power which boosted 3.4% to £39.1/MWh, as supply margins are expected to tighten early next week.
- Month-ahead peak power trimmed 2.1% to £35.0/MWh.

#### Annual April contract



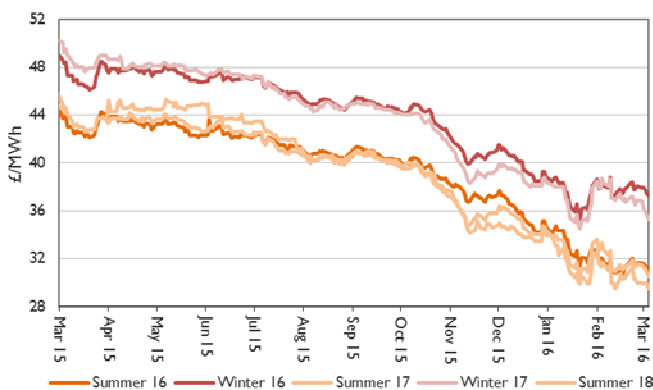
#### Forward curve comparison





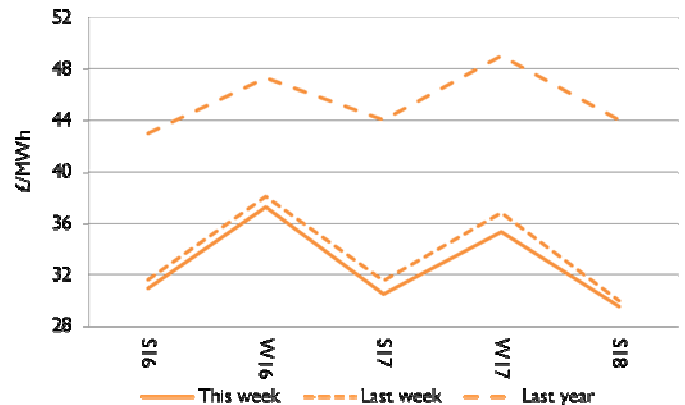
## Seasonal power prices

### Seasonal power contracts



- Seasonal power contracts returned to their downward trend this week, as lower gas prices weighed on contracts.
- Summer 16 power dropped 2.2 % to £31.0/MWh. The contract is now 2.5% under its value a month ago (£31.7/MWh) and 28.0% under its level a year ago (£43.0/MWh).
- The winter 16 power contract declined 2.1% to £37.3/MWh, and the summer 17 contract fell 3.3% to £30.5/MWh.

### Seasonal power curve



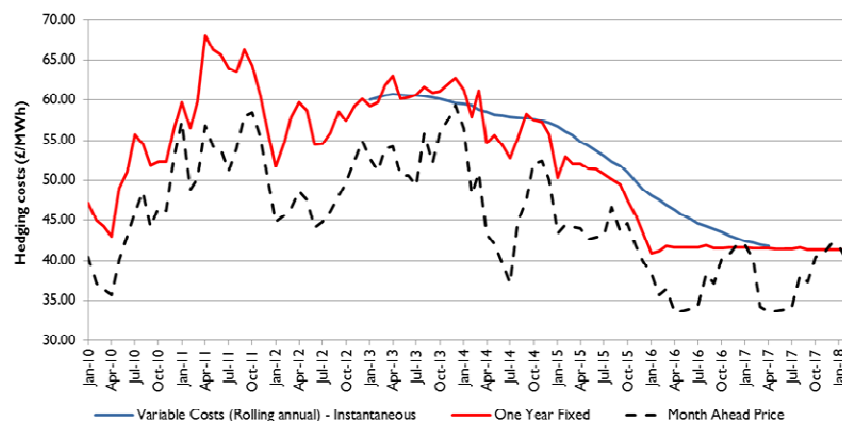
- Winter 17 power experienced the largest decrease, falling 4.2% to £35.3/MWh, as DECC's plan to bring the Capacity Market forward by a year increased confidence of security of supply.
- Backwardation has remained in the power market this week, with winter 17 power lower than the winter 16 contract. Both summer 17 and summer 18 contracts are below summer 16.

## Supplier hedging strategies

The annual April 16 power contract fell 7.1% to average £35.1/MWh in January, reaching a record low of £33.3/MWh on 21 January. The contract followed is gas counterpart lower, with annual April 16 gas declining 9.6% to average 31.6p/th. Annual power and gas contracts reached their lowest levels since 2007 as falling oil and coal prices continued to weigh in contracts. Brent crude oil tumbled 18.0% to average \$32.1/bl, hitting and fresh low of \$27.8/bl on 21 January. Coal prices decreased 8.2% to average \$40.9/t.

There were 27 price changes to fixed domestic dual-fuel tariffs in January. Of these, 24 were reductions and 3 were increases. Some notable tariff decreases were seen at RWE npower (-11.4%, -1.3% and -3.4%), E.ON (-12.9%), Ovo Energy (-2.4%, -2.5%, -2.3% and -2.4%), GB Energy Supply (-4.2%), iSupply (-3.5%), Sainsbury's Energy (-2.3%), GnERGY (-3.4%) and Utilita (-2.0%). The only notable rise was in a tariff belonging to Scottish Power (+4.8%).

Annual power and gas contracts continued to decline in January, reaching their lowest levels since 2007. Lower wholesale power and gas prices have allowed suppliers to offer a greater number of lower fixed term deals, and is represented in the above data.





## Wholesale price snapshot

Key market indicators:

04/03/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	4 Mar 16	30.45	30.00	35.20	34.13	39.50	4.85	37.23
Last week	26 Feb 16	30.20	31.01	34.19	34.88	38.45	5.15	35.96
Last month	5 Feb 16	28.80	30.73	31.80	34.92	38.20	5.60	34.54
Last year	6 Mar 15	45.00	47.38	39.50	45.15	60.25	6.77	61.03
Year-on-year % change		(32%)	(37%)	(11%)	(24%)	(34%)	(28%)	(39%)
Year high		48.75	48.87	48.40	46.38	60.50	8.64	68.94
Year low		28.75	29.46	26.56	33.31	36.55	4.69	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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