



Energy Wholesale Market Review

Week Ending 11th March 2016



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Headlines 11/03/2016

Seasonal power and gas contracts rose across the board this week, as bullish global commodity markets supported prices. Seasonal gas prices gained 1.1% on average, with the summer 16 contract rising 1.1% to 27.3p/th. Gas prices followed oil markets higher, but rises were suppressed by record high gas flows into Europe from Norwegian and Russian sources. Seasonal power contracts rose with their gas counterparts, as summer 16 power gained 1.6% to reach £31.5/MWh. The spot market was mixed, with the day-ahead gas contract falling 2.1% to 29.8p/th while day-ahead power surged 8% higher to £38.0/MWh. The power contract was influenced by low wind generation and temperatures 40% below the seasonal norm. Commodities continued their recent bullish trend, Brent crude oil surged 10% to a 2016 high of \$40.3/bl as IEA data showed further falls in non-OPEC production levels. API 2 coal was up 6.6% to \$41.2/t, EU ETS carbon gained 2.5% to €5.0/t.

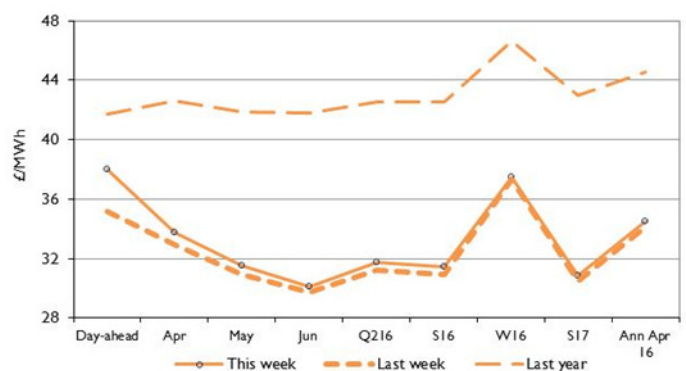
Baseload electricity

- Annual April 16 power increased 1% this week to £34.5/MWh, 1.2% above its level last month.
- The contract was influenced by rising oil, coal and gas prices during the week. Additionally, there are still concerns over winter 16 supply margins following recent closure announcements. As a result winter 16 prices have seen higher rises than other contracts.
- Baseload contracts increases across the board this week.
- Day-ahead power surged 8% higher to £38.0/MWh as low wind output combined with higher power demand.
- Month-ahead power rose 2.4% to £33.7/MWh.

Annual April contract



Forward curve comparison



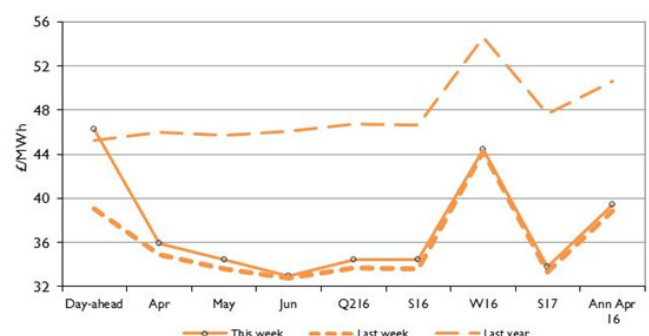
Peak electricity

- Annual April 16 peak power increased 1.2% this week to £39.4/MWh. The contract is 0.4% above its level last month but 22% below its level last year (£50.6/MWh).
- Recent rises can be attributed to higher commodities prices, but also to the forecast tighter powers supply margins for upcoming winters.
- Peak prices rose across the board this week. The sharpest rises were seen for the day-ahead contract, which gained 18.3% to £46.3/MWh, a four month high.
- Rises were influenced by low wind output and temperature led increases in demand.

Annual April contract



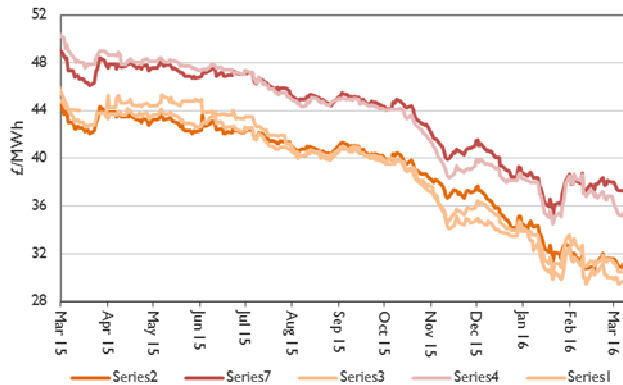
Forward curve comparison



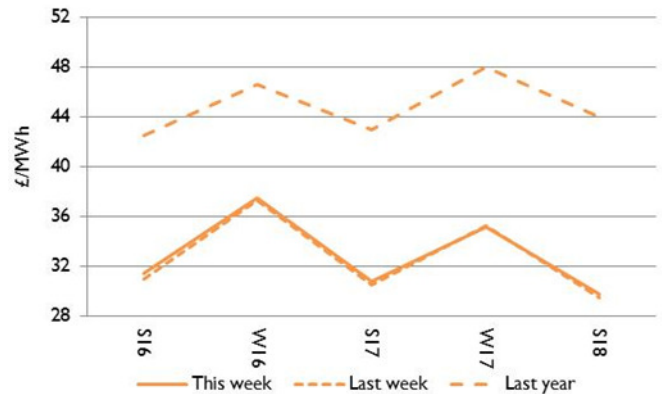


Seasonal power prices

Seasonal power contracts



Seasonal power curve



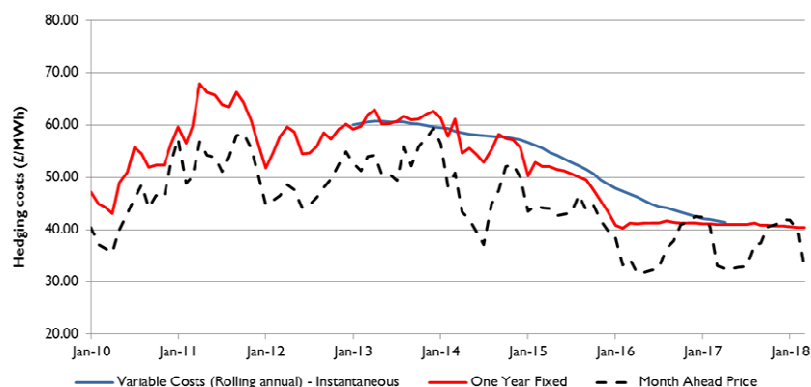
- Seasonal power contracts rose this week on the back of increases in oil, coal and gas prices.
- Oil prices have experienced a recovery in recent weeks, and rises have filtered through to the power market via higher NBP gas prices.
- Summer 16 power rose 1.6% to £31.5/MWh. The contract is now 2.1% above its value a month ago (£30.8/MWh), but 28.0% under its level a year ago (£43.0/MWh).
- Despite recent rises, the contract remains over 25% below its level last year.
- The winter 16 power contract gained 0.5% to £37.5/MWh and is now 0.4% above its level last month
- Backwardation has remained in the power market this week. This is despite expected capacity closures and tighter margins expected in the power market from 2016 onwards.

Supplier hedging strategies

The annual April 16 power contract fell 1.3% to average £34.7/MWh in February. The contract was weighed on by its gas counterpart, with annual April 16 gas declining 2.3% to average 30.9p/th. The annual power contract dropped despite the likely closure of numerous coal-fired power stations prior to next winter. Brent crude oil rose 5.1% to average \$33.7/bl. API 2 Coal prices decreased 7.0% to average \$38.0/t.

There were 28 price changes to fixed domestic dual-fuel tariffs in February. Of these, 26 were reductions and two were increases. Some notable tariff decreases were seen at npower (-3.2% and -2.1%), E.ON (-2.9%), First Utility (-2.6%, -4.7% and -3.9%), iSupply (-2.3%), Flow Energy (-6.1% and -2.9%), SO Energy (-3.8%), EDF (-6.7%, -7.0% and -2.0%), Co-operative Energy (-2.4% and -8.8%), Extra Energy (-3.7%), M&S Energy (-3.0%) and Places for People Energy (-3.4%).

Annual power and gas contracts continued to decline in February, although significantly less than in the previous month. 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. If wholesale energy prices continue to fall, suppliers could continue to reduce their tariff rates.





Wholesale price snapshot

Key market indicators:

11/03/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	11 Mar 16	29.80	30.36	38.00	34.48	41.80	5.06	40.94
Last week	4 Mar 16	30.45	30.00	35.20	34.13	39.50	4.85	37.23
Last month	12 Feb 16	29.00	30.16	33.80	34.08	37.10	4.97	31.25
Last year	13 Mar 15	47.25	47.42	41.70	44.58	58.70	6.33	56.56
Year-on-year % change		(37%)	(36%)	(9%)	(23%)	(29%)	(20%)	(28%)
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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