Energy Wholesale Market Review

Week Ending 18th March 2016

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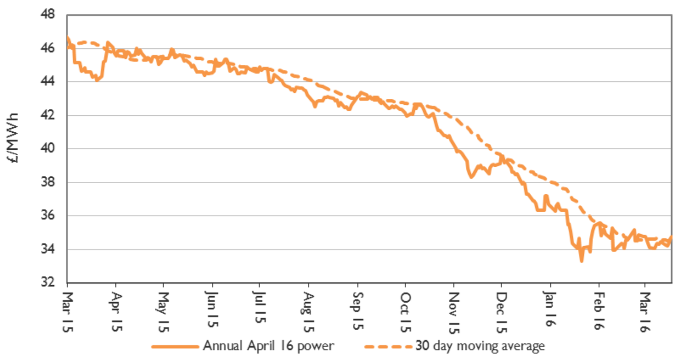
Headlines 18/03/2016

All seasonal contracts along the forward curve experienced gains this week. Summer 16 gas lifted 0.9% to 27.6p/th on account of low LNG imports to the UK. Summer 16 power boosted 1.0% to £31.8/MWh, following its gas counterpart higher. Day-ahead gas fell 0.7% to 29.6p/th this week, despite tight supply margins. Higher temperatures resulted in lower demand. Day-ahead power was down 9.7% to £34.3/MWh this week, following its gas counterpart lower. A drop in demand outweighed a large fall in wind output. Commodity prices were down overall by week-end. Brent crude oil fell 0.6% to $40.1/bl. However, news of production freeze talks between OPEC and non-OPEC producers did lead to the contract hitting a 14-week high of $42.0/bl by the end of the week. EU ETS carbon reduced 2.1% to €4.9/t. Prices have however recovered enough during the recent days to push the price back above €5/t. API 2 coal fell 0.8% to $40.8/t.

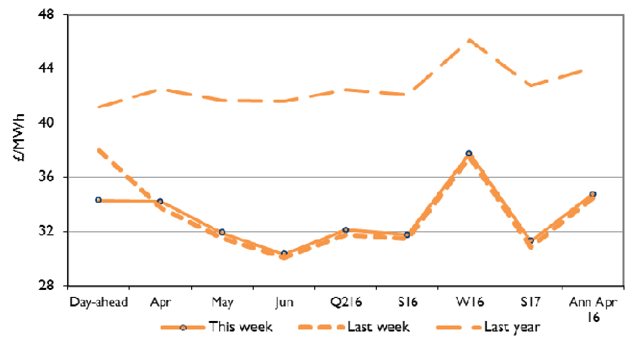
Baseload electricity

- Annual April 16 power improved 0.8% this week to £34.8/MWh, 0.6% above its level last month.
- The contract increased despite a drop in commodity prices.
- The contract is now 20.6% below its level a year ago (£50.1/MWh)
- All seasonal baseload power contracts increased this week. Summer 16 gained 1.0% to £31.8/MWh. Winter 16 was up 0.7% to £37.8/MWh.
- However, day-ahead power slid 9.7% lower to £34.3/MWh.
- Month-ahead power rose 1.3% to £34.2/MWh.

Annual April contract



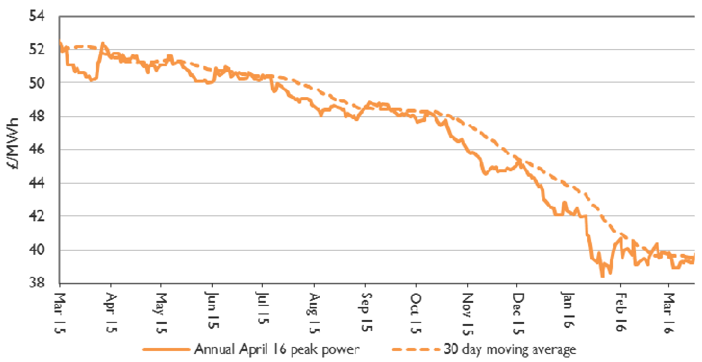
Forward curve comparison



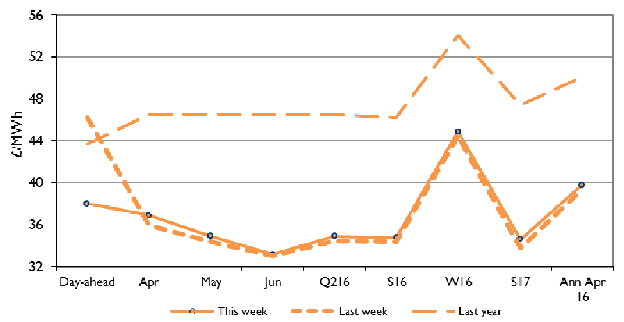
Peak electricity

- Annual April 16 peak contracts increased 1.0% this week to £39.8/MWh. The contract is 0.3% above its level last month but 20.6% below its level last year (£50.1/MWh).
- Tighter supply margins from summer 16 onwards are influencing forward curve prices.
- Seasonal peak power prices all experienced gains this week. Both summer 16 and winter 16 rose by 1.0% to £34.8/MWh and £44.8/MWh respectively.
- In contrast, the day-ahead contract was down 17.8% to £38.0, due, in large part, to low wind output.

Annual April contract

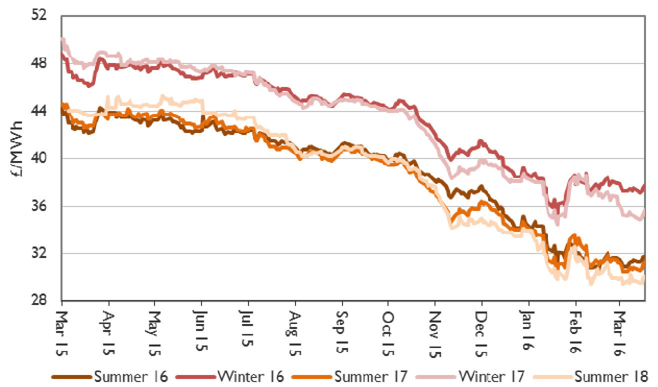


Forward curve comparison

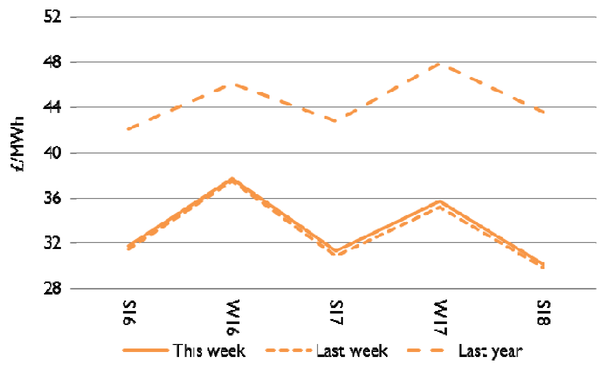


Seasonal power prices

Seasonal power contracts



Seasonal power curve



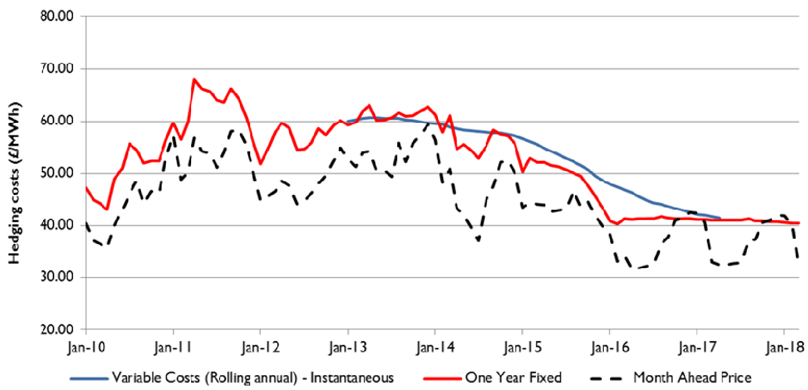
- Seasonal power contracts rose this week, following a rise in their gas counterparts.
- Despite a drop in commodity prices, seasonal gas prices have all experienced gains which have filtered down into the baseload power markets.
- Summer 16 power rose 1.0% to £31.8/MWh. The contract is now 1.4% above its value a month ago (£31.3/MWh), but 24.6% under its level a year ago (£42.1/MWh).
- The winter 16 power contract gained 0.7% to £37.8/MWh, but is 0.1% below its level a month ago (£37.8/MWh) and 18.8% below its level a year ago (£46.1/MWh).
- 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 tin 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.

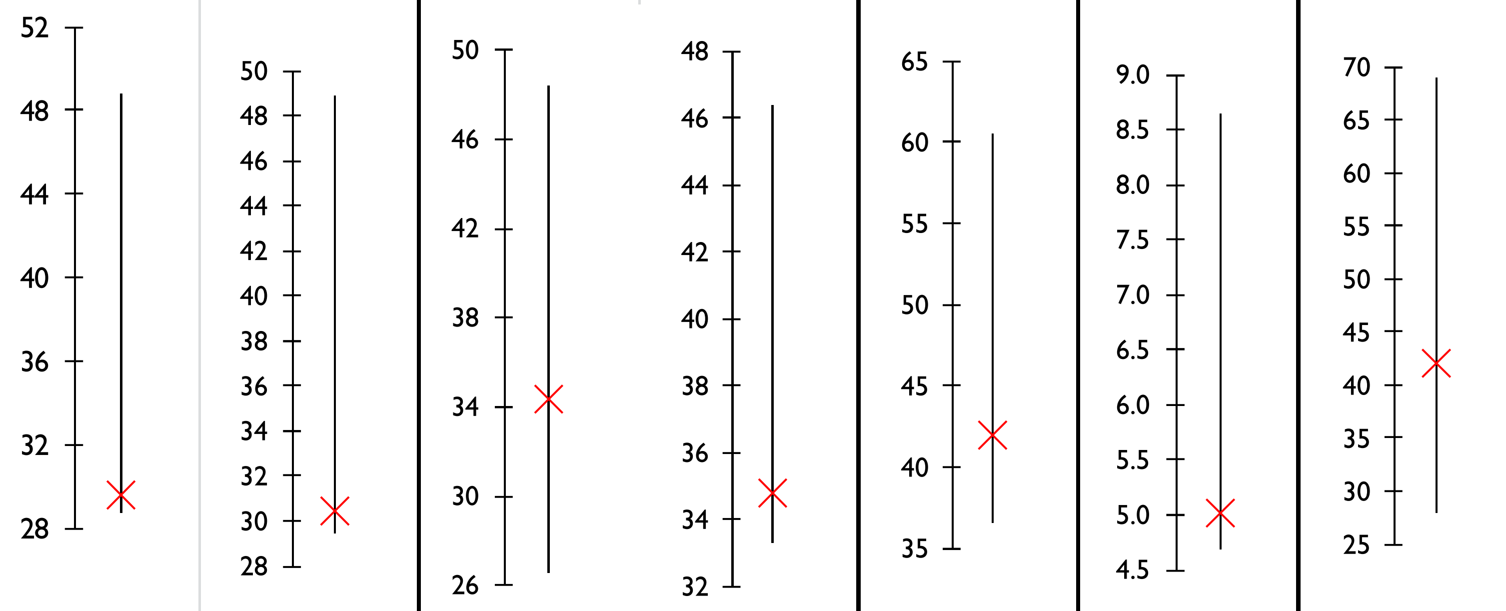


Wholesale price snapshot

Key market indicators: 18/03/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	18 Mar 16	29.60	30.48	34.31	34.75	42.00	5.01	41.95
Last week	11 Mar 16	29.80	30.36	38.00	34.48	41.80	5.06	40.94
Last month	19 Feb 16	29.35	30.58	32.00	34.55	38.40	5.30	33.77
Last year	20 Mar 15	46.50	46.74	41.20	44.10	56.90	6.73	53.90
Year-on-year % change		(36%)	(35%)	(17%)	(21%)	(26%)	(26%)	(22%)
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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