Energy Wholesale Market Review

Week Ending 3rd June 2016

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com

Contents

Baseload electricity .... Error! Bookmark not defined.
Peak electricity .... Error! Bookmark not defined.
Seasonal power prices .... Error! Bookmark not defined.
Supplier hedging strategies .... Error! Bookmark not defined.
Wholesale price snapshot **5**
About EDW Technology Limited **6**

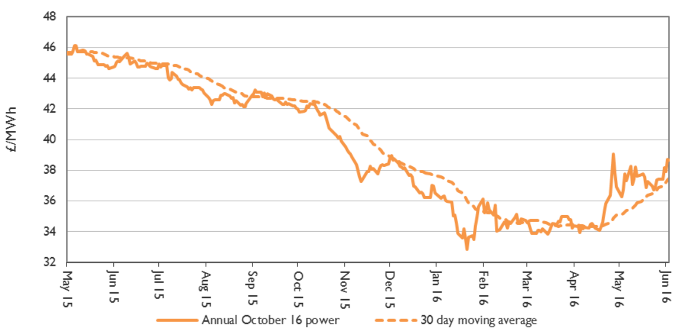
Headlines 03/06/2016

Day-ahead gas gained 10.6% to 34.5p/th, despite an increase in temperatures. Winter 16 gas rose 5.5% to 38.0p/th, with a rise in oil prices. Day-ahead power gained 12.5% to £36.9/MWh, with a rise in gas prices. Winter 16 power went up 3.2% to £41.6/MWh, following oil prices higher. On average Brent crude oil lifted 1.2% to $49.6/bl, on Friday 3 June prices hit a seven month high. Oil prices rose leading up to the OPEC meeting on the 2 June and afterwards further increased, due to further supply disruptions from conflicts in Nigeria. API 2 coal climbed 7.8% to $52.3/bl. On Friday 3 June, API 2 coal climbed to $52.3/t, the highest price since September 2015, amid falling Chinese production levels. EU ETS carbon fell 1.8% week-on-week to average €6.0/t, and ended the week on €6.0/t. This week UK MEP Ian Duncan published his report on post-2020 EU ETS reforms, proposing to stick to the European Commission's plan for a linear reduction factor of 2.2% per year.

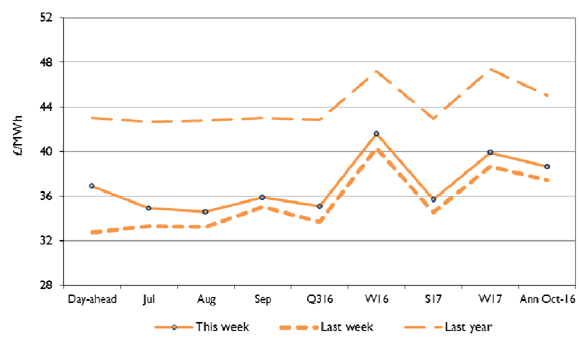
Baseload electricity

- Annual October 16 power was 3.3% more at £38.7/MWh this week, 3.5% above its level last month (£37.3MWh), but 14.3% below its value last year (£45.1MWh).
- The contract increased following a rise in its gas counterpart.
- Day-ahead power went up 12.5% to £36.9/MWh. The day-ahead power price rose on several successive days midweek due to tightening surplus margins and a rise in the corresponding gas price.
- The new month-ahead contract (July) grew 4.6% to £34.9/MWh, 18.2% lower than the same period last year.

Annual October contract



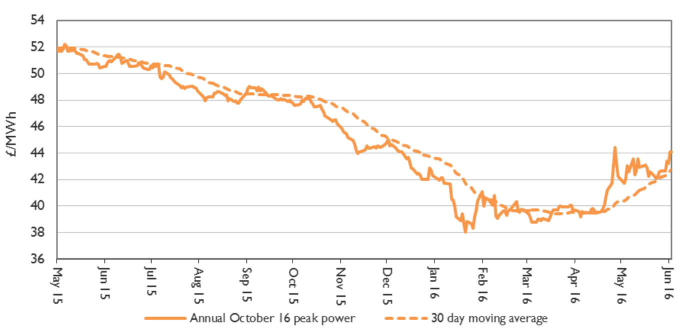
Forward curve comparison



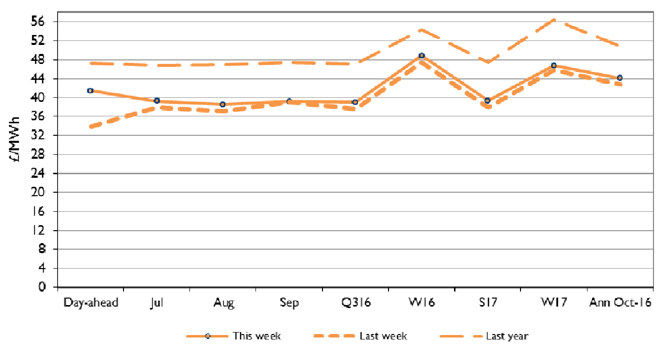
Peak electricity

- Annual October 16 peak power grew 3.3% this week to £44.1/MWh. There was a rise in both the winter contract and the summer contract.
- The contract is 3.5% above its level last month (£42.6/MWh), but 13.4% below its level last year (£50.9/MWh).
- All peak power contracts increased this week.
- Day-ahead peak power gained 22.1% to £41.4/MWh, despite a reduction in demand.
- A maximum peak demand of 41.4GW occurred on Friday 3 June. Month-ahead peak power boosted 3.6% to £39.9/MWh.

Annual April contract

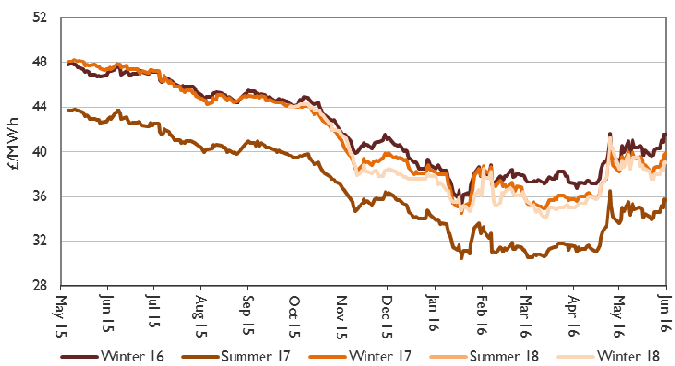


Forward curve comparison



Seasonal power prices

Seasonal power contracts



Seasonal power curve

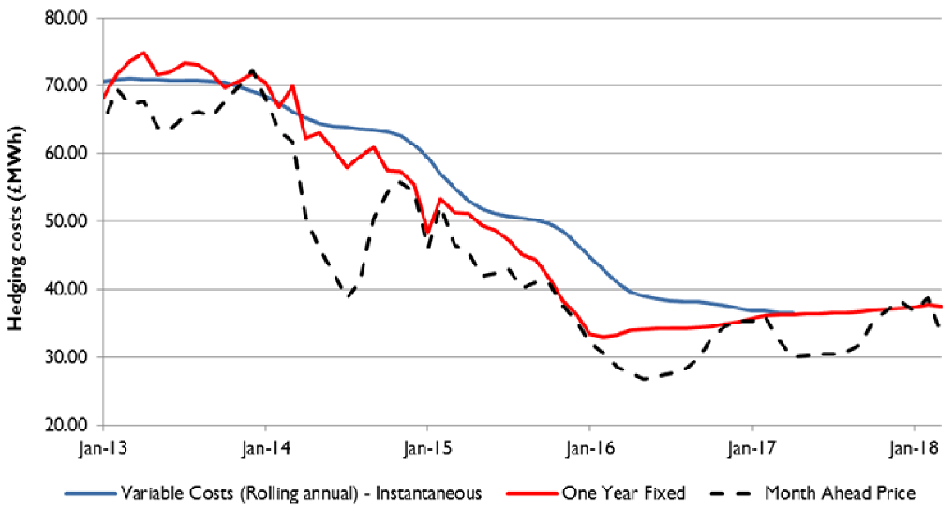
- Seasonal peak-power contracts all experienced gains this week. Winter 16 peak power was up 3.1% to £48.9/MWh, 3.8% above last month's levels (£47.1/MWh), but 10.0% below last year's level (£54.3MWh).

- Summer 17 grew 3.6% to £39.3/MWh. Prices are now 3.1% above the level they were a month ago (£38.1/MWh), but 17.2% below the same period last year (£47.5/MWh).

Supplier hedging strategies

The annual October16 power contract grew 2.4% to average £35.2/MWh in April. The contract was supported by its gas counterpart, with annual October 16 gas lifting 1.9% to average 32.3p/th. The annual power contract increased as tightening supply margins for the coming winter supported prices. Brent crude oil rose 8.5% to average $43.0/bl. API 2 coal prices increased 7.1% to average $43.7/t.

There were 28 price changes to fixed domestic dual-fuel tariffs in April. Of these, 23 were reductions and five were increases. Some notable tariff decreases were seen at SSE (-23.9%, -23.9%), First Utility (-4.3%, -4.3%), E.On (-3.9%), iSupply (-2.6%) and First Utility (-2.1%). Notable increases were seen at Scottish Power (+4.7%), iSupply Energy (+1.9%, +1.9%), First Utility (+1.6%) and EnergySW (+0.8%)Despite the recent rise in wholesale power and gas contracts, the markets remain low in comparison to last year. As a result a large number of suppliers have been able to reduce their tariffs. Suppliers who have increased their tariffs are likely to be employing a short hedged strategy, while those who have reduced their tariffs are likely to be employing a long hedged strategy.

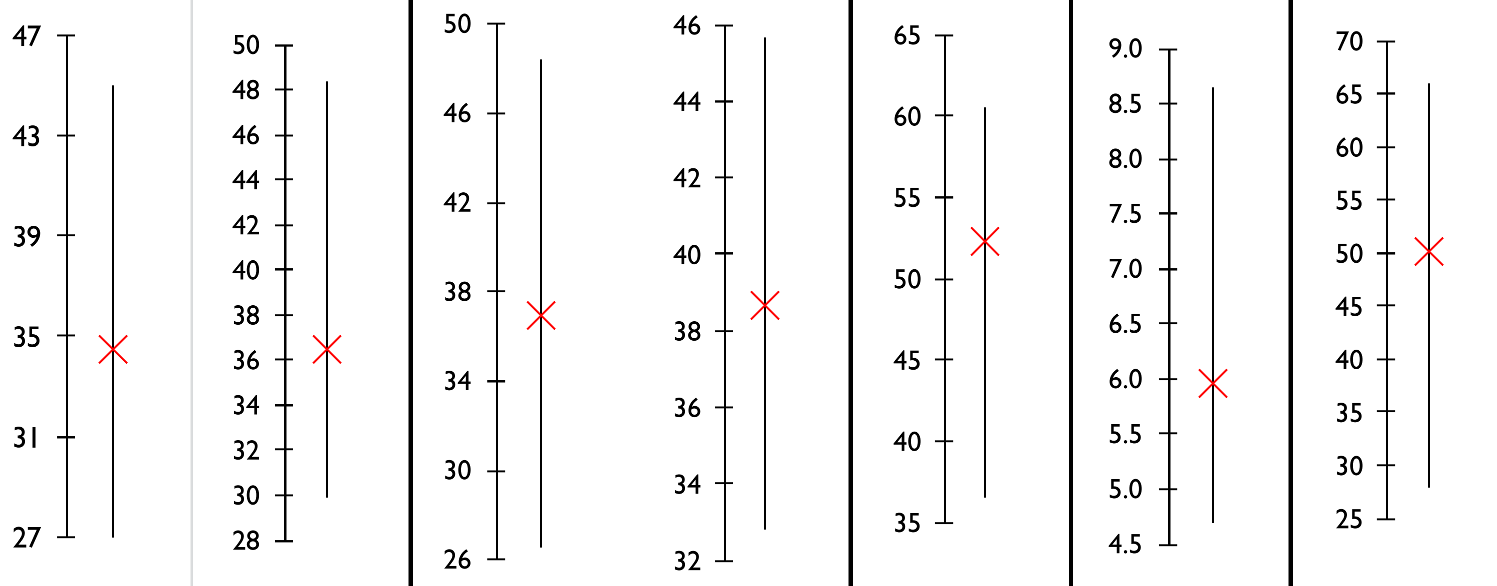


Wholesale price snapshot

Key market indicators: 03/06/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	3 Jun 16	34.50	36.48	36.90	38.65	52.25	5.96	50.13
Last week	27 May 16	31.20	34.63	32.80	37.43	48.45	5.97	49.01
Last month	6 May 16	29.70	34.67	33.50	37.33	46.75	6.11	44.72
Last year	5 Jun 15	44.35	47.79	43.00	45.08	57.50	7.44	61.87
Year-on-year % change		(22%)	(24%)	(14%)	(14%)	(9%)	(20%)	(19%)
Year high		45.00	48.38	48.40	45.65	60.50	8.64	66.01
Year low		27.00	29.88	26.56	32.84	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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com

Copyright © 2016 EDW Technology Limited. All rights reserved.

No part of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or translated into any language, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission from EDW Technology Limited.

All copyright, confidential information, patents, design rights and all other intellectual property rights of whatsoever nature contained herein are and shall remain the sole and exclusive property of EDW Technology Limited. The information furnished herein is believed to be accurate and reliable. However, no responsibility is assumed by EDW Technology Limited for its use, or for any infringements of patents or other rights of third parties resulting from its use.