



# Energy Wholesale Market Review

Week Ending 17<sup>th</sup> June 2016



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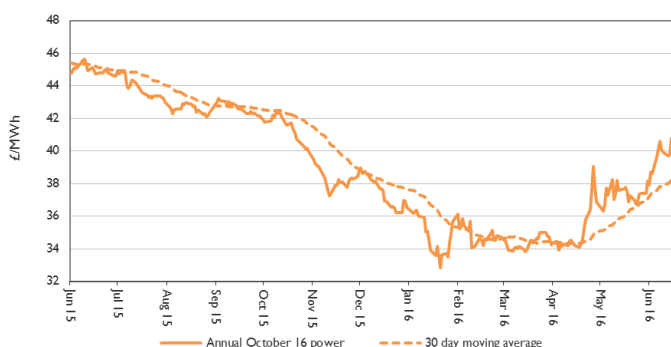
## Headlines 17/06/2016

The average price of most power and gas contracts rose this week, with an increase in both power and gas demand due to lower temperatures. Winter 16 gas grew 3.6% to 40.4p/th, but prices remain relatively low compared to last year. In contrast, day-ahead power lost 4.5% to £36.3/MWh, amid an increase in wind generation of 10.7% and a decrease in coal-fired output by 8.3%. Week-on-week Brent crude oil slipped 6.2% to \$48.0/bl and on average lost 4.3% to \$49.1/bl. Oil prices hit a five-week low on Thursday 16 June of \$47.3/bl, weighed down by a strong dollar, weak Asian trade, continued global oversupply and uncertainty in the market over Britain's possible exit from the EU. Week-on-week API 2 coal gained 5.7% to \$55.0/t, however on average prices were down 1.0%. On Friday 17 June coal prices reached \$55.0/t, the highest price in over ten months. EU ETS carbon prices declined 4.5% to €5.7/t.

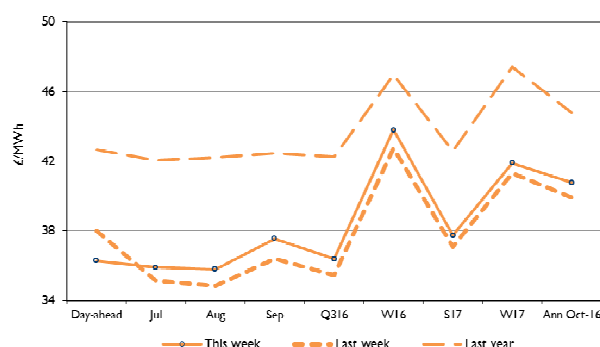
## Baseload electricity

- Annual October 16 power gained 2.1% to £40.8/MWh this week, 9.4% above its level last month (£37.3/MWh), but 8.9% below its value last year (£44.8/MWh).
- The contract increased following a rise in its gas counterpart.
- Most baseload power contracts increased this week. The only exception was day-ahead power, which fell 4.5% to £36.3/MWh, with higher wind output, despite a rise in demand.
- The month-ahead contract (July) grew 2.1% to £42.1/MWh, 14.7% lower than the same period last year.

Annual October contract



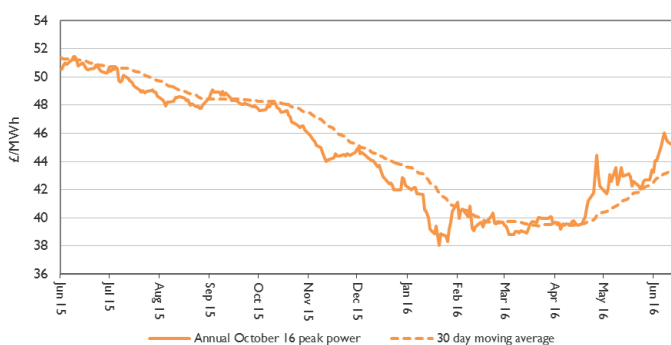
Forward curve comparison



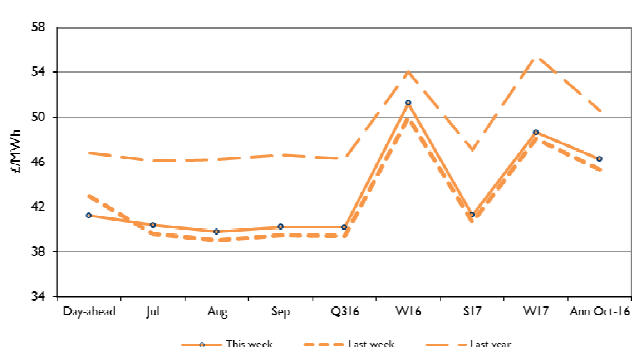
## Peak electricity

- Annual October 16 peak power grew 2.0% this week to £46.3/MWh. There was also a rise in both the winter contract and the summer contract.
- The contract is 8.6% above its level last month (£42.6/MWh), but 8.5% below its level last year (£50.6/MWh).
- Most peak power contracts increased this week.
- The exception was day-ahead peak power, which lost 4.1% to £41.3/MWh, with higher wind output, despite higher demand.
- The maximum peak of 36.6GW occurred on Monday 13 June. Month-ahead peak power lifted 1.9% to £40.4MWh.

Annual April contract



Forward curve comparison

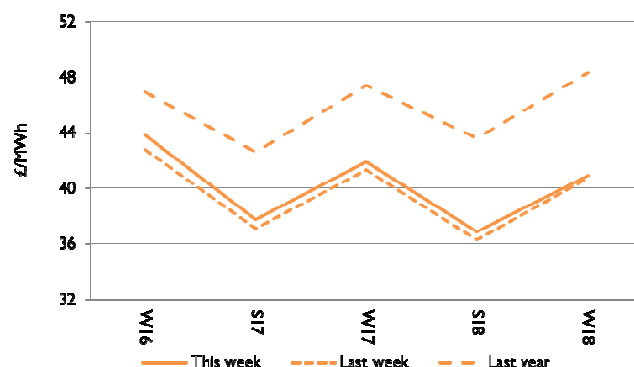




## Seasonal power contracts



## Seasonal power curve



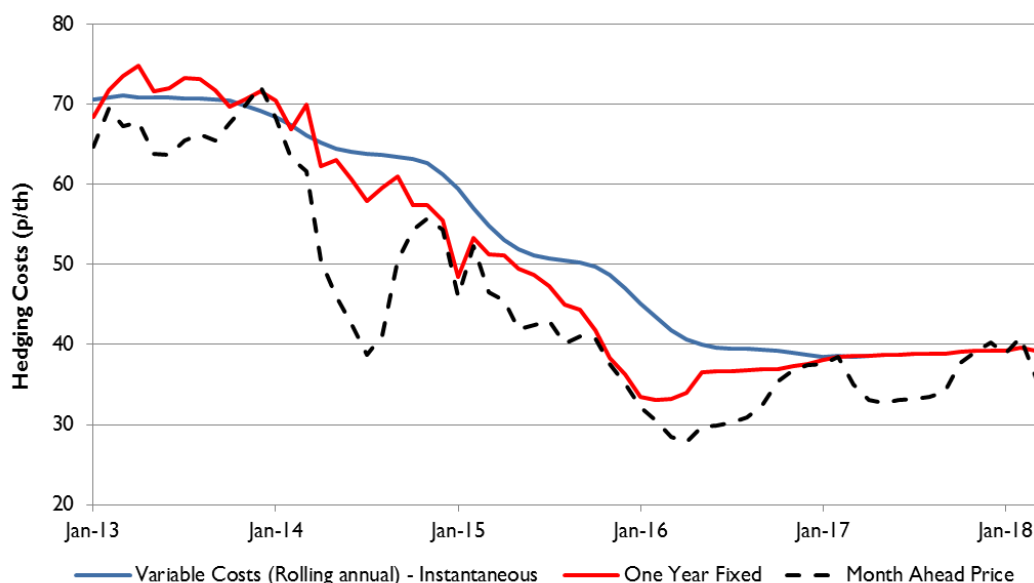
- Seasonal peak-power contracts all experienced gains this week. Winter 16 peak power was up 2.5% to £51.3/MWh, 8.6% above last month's levels (£47.2/MWh), but 5.2% below last year's level (£54.1/MWh).
- Summer 17 grew 1.5% to £41.3/MWh. Prices are now 8.7% above the level they were a month ago (£38.0/MWh), but 12.3% below the same period last year (£47.1/MWh).

## Supplier hedging strategies

Power and gas contracts rose to multi-month highs in May, with seasonal power contracts averaging their highest levels since December 2015. The annual October 16 power contract climbed 6.1% to average £37.4/MWh, with increasing gas and coal prices. API 2 coal prices grew 7.5% to average \$46.9/t. Annual October 16 gas lifted 7.7% to average 34.7p/th, with a surge in oil prices. Brent crude oil jumped 10.6% to average \$47.6/bl.

There were 19 price changes to fixed domestic dual-fuel tariffs in May. Of these, 12 were reductions and seven were increases. Some notable tariff decreases were seen at Sainsbury's Energy (-16.2%), EDF (-5.0%, -3.9%), First Utility (-3.8%), Utility Warehouse (-3.3%), GB Energy Supply (-2.6%), SO Energy (-2.6%), and Scottish Power (-2.3%). Notable increases were seen at First Utility (+4.8%), Bristol Energy (+3.1%), and Places for People Energy (+2.5%).

Despite power and gas prices rising to multi-month highs during May, there were more tariff decreases in domestic dual-fuel tariffs than increases, suggesting most suppliers featured are longer hedged. However, wholesale power prices are below last year's levels, and this is reflected in the tariff reductions seen since.





## Wholesale price snapshot

Key market indicators: 17/06/2016

|  |           | Gas (p/th) |            | Electricity (£/MWh) |            | Coal (\$/t) | Carbon (€/t) | Brent crude (\$/bl) |
|--|-----------|------------|------------|---------------------|------------|-------------|--------------|---------------------|
|  |           | Day-ahead  | Year-ahead | Day-ahead           | Year-ahead |             |              |                     |
| This week  | 17 Jun 16 | 34.50      | 39.00      | 36.30               | 40.78      | 54.95       | 5.72         | 48.03               |
| Last week  | 10 Jun 16 | 33.75      | 37.70      | 38.00               | 39.93      | 52.00       | 5.99         | 51.20               |
| Last month   | 20 May 16 | 30.10      | 34.47      | 34.15               | 37.28      | 47.00       | 5.96         | 48.75               |
| Last year  | 19 Jun 15 | 43.40      | 47.26      | 42.65               | 44.78      | 58.85       | 7.45         | 63.57               |
| Year-on-year % change  |           | (21%)      | (17%)      | (15%)               | (9%)       | (7%)        | (23%)        | (24%)               |
| Year high  |           | 44.85      | 47.48      | 48.40               | 45.00      | 60.50       | 8.64         | 64.98               |
| Year low   |           | 27.00      | 29.88      | 26.56               | 32.84      | 36.55       | 4.69         | 27.83               |
| <p>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.</p> |           |            |            |                     |            |             |              |                     |
|  |           |            |            |                     |            |             |              |                     |
|  |           |            |            |                     |            |             |              |                     |
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|  |           |            |            |                     |            |             |              |                     |



## 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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