Energy Wholesale Market Review

Week Ending 24th June 2016

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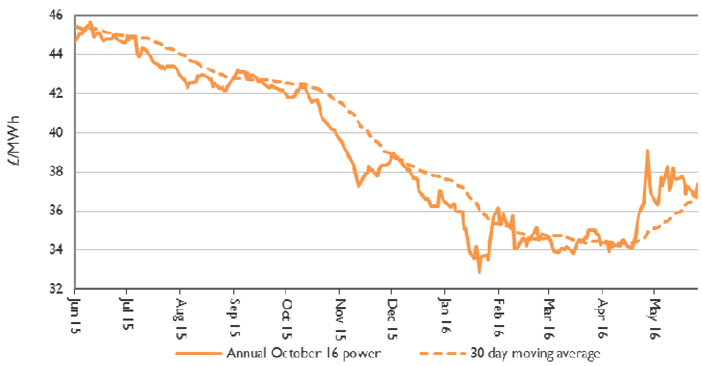
Headlines 24/06/2016

Throughout the week commodity prices were influenced leading up to the UK's EU referendum. Following the announcement on Friday that the UK had voted to leave the EU, day-ahead gas gained due to increased trading and a weaker pound. This week, winter 16 gas gained 8.1% to 43.7p/th, as Rough gas facility operations were stopped. EU ETS carbon dropped 11.9% to €5.0/t, with prices expected to depress further due to the economic impact of the UK leaving the EU. Week-on-week Brent crude oil price climbed 1.1% to $48.6/bl, and on average gained 2.0% to $50.1/bl. Following the referendum results, oil prices to lowered $2.06/bl to $48.56/bl, and there are fears of economic slowdown that could reduce oil demand. The average price of all power and gas contracts rose. Day-ahead power went up 1.9% to £37.0/MWh, despite increased wind power and lower demand. Week-on-week API 2 coal rose 1.0% to $55.5/t, on Monday 20 June prices reached the highest price since July 2015.

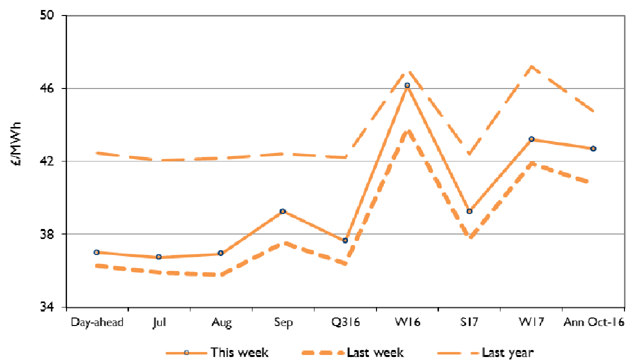
Baseload electricity

- Annual October 16 power gained 4.7% to £42.7/MWh this week, 14.1% above its level last month (£37.4/MWh), but 4.6% below its value last year (£44.8/MWh).
- The contract increased following a rise in its gas counterpart.
- All baseload power contracts increased this week, with higher gas prices. Day-ahead power rose 1.9% to £37.0/MWh, despite increased wind power and lower demand.
- The month-ahead contract (July) grew 2.4% to £36.8/MWh, 12.6% lower than the same period last year.

Annual October contract



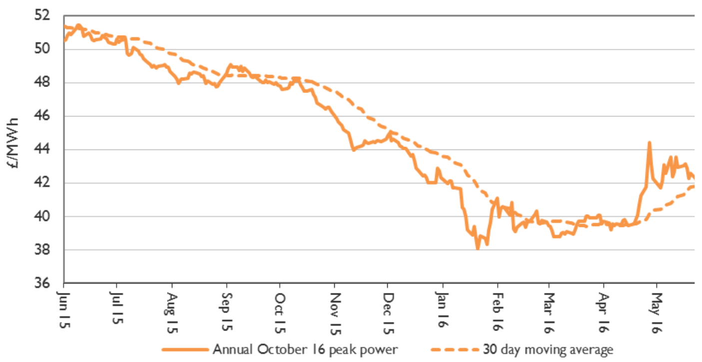
Forward curve comparison



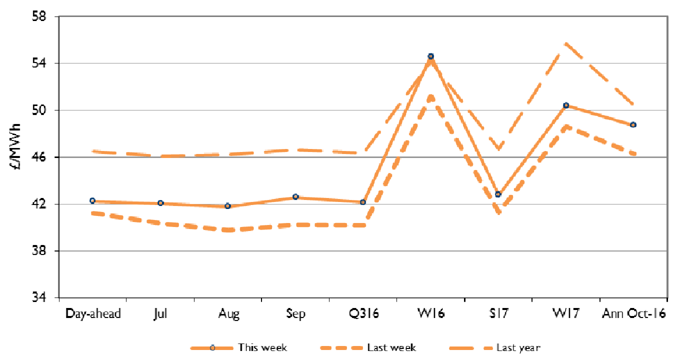
Peak electricity

- Annual October 16 peak power grew 5.2% this week to £48.7/MWh. There was a rise in both the winter contract and the summer contract.
- The contract is 14.1% above its level last month (£42.7/MWh), but 3.4% below its level last year (£50.4/MWh).
- All peak power contracts increased this week.
- Day-ahead peak power gained 2.4% to £42.3/MWh, despite increased wind power and lower demand.
- The maximum peak of 35.9GW occurred on four days this week. Month-ahead peak power lifted 4.1% to £42.1/MWh.

Annual April contract

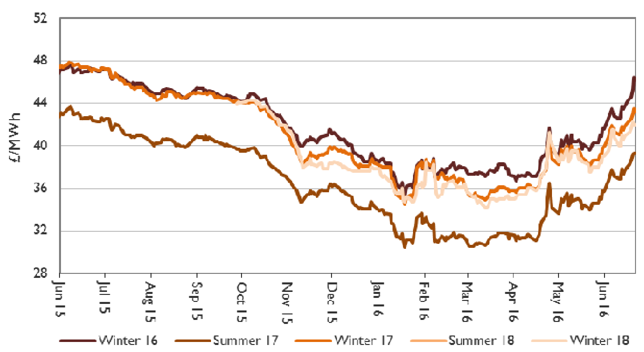


Forward curve comparison

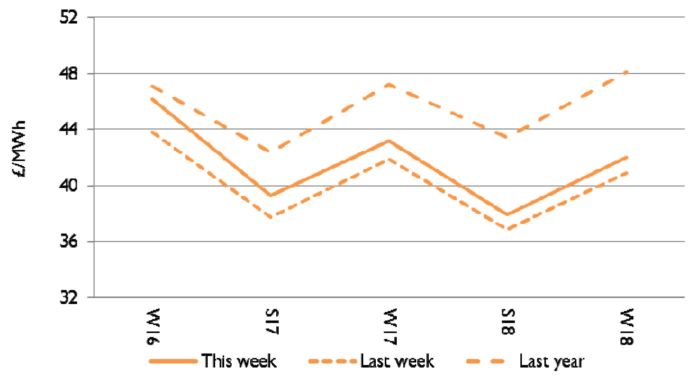


Seasonal power prices

Seasonal power contracts



Seasonal power curve



- Seasonal peak-power contracts all experienced gains this week. Winter 16 peak power was up 6.5% to £54.6/MWh, 15.2% above last month's levels (£47.4/MWh), and 0.8% above last year's level (£54.2/MWh).

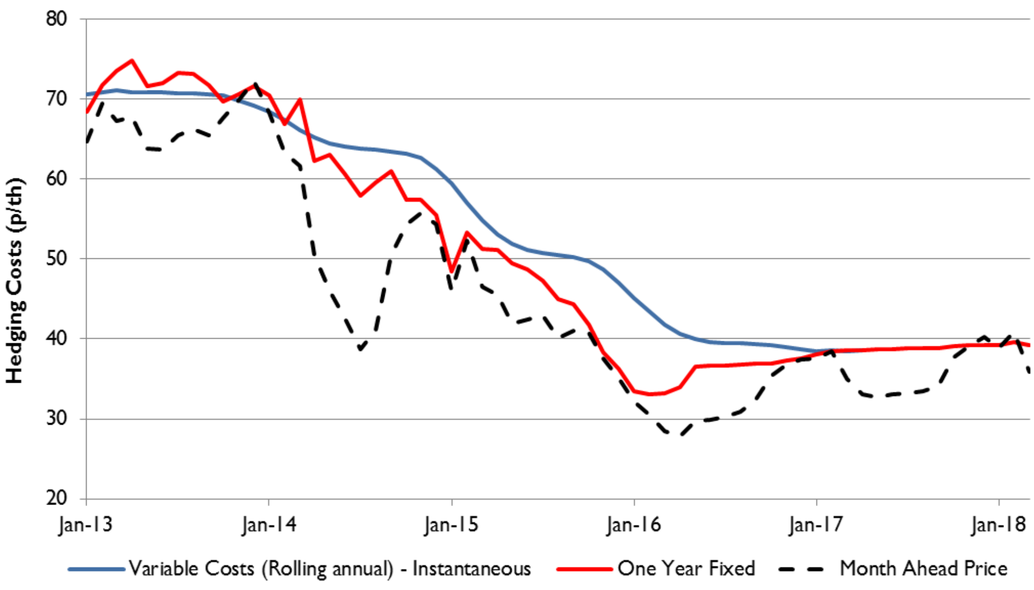
- Summer 17 grew 3.6% to £42.8/MWh. Prices are now 12.8% above the level they were a month ago (£38.0/MWh), but 8.4% below the same period last year (£46.7/MWh).

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.

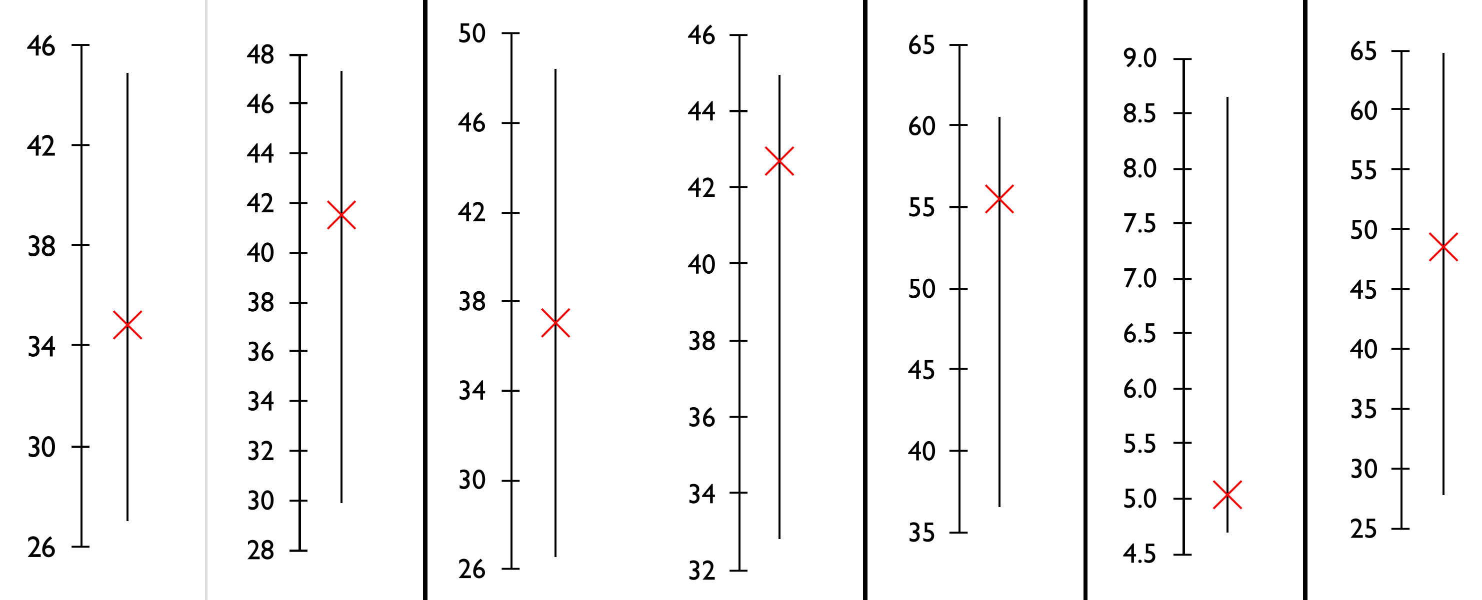


Wholesale price snapshot

Key market indicators: 24/06/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	24 Jun 16	34.80	41.54	37.00	42.70	55.50	5.04	48.56
Last week	17 Jun 16	34.50	39.00	36.30	40.78	54.95	5.72	48.03
Last month	27 May 16	31.20	34.63	32.80	37.43	48.45	5.97	49.01
Last year	26 Jun 15	43.75	47.26	42.45	44.75	59.90	7.57	63.02
Year-on-year % change		(20%)	(12%)	(13%)	(5%)	(7%)	(33%)	(23%)
Year high		44.85	47.34	48.40	44.95	60.50	8.64	64.67
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.

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