Energy Wholesale Market Review

Week Ending 8th July 2016

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Headlines 08/07/2016

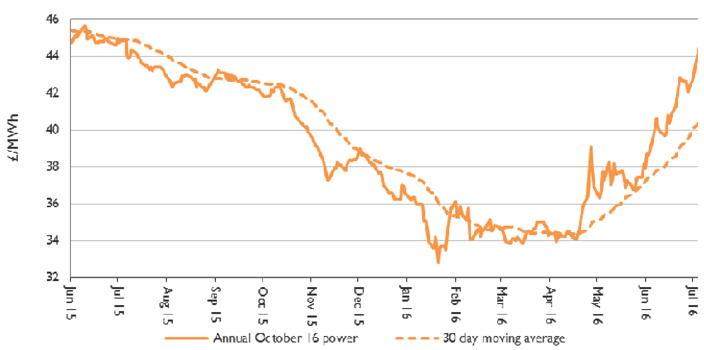
Most power and gas contracts increased this week. Day-ahead gas increased 0.9% to 33.9p/th, with a rise in national system gas demand. On average seasonal gas contracts gained 4.0%, with winter 16 up 3.1% to 44.5p/th, amid the temporary closure of Rough gas facility, which is expected to be shut down until 3 August 2016. In contrast, day-ahead power lost 3.2% to £35.9/MWh, with higher wind power generation and lower demand. There was a larger than normal amount of changes in domestic retail tariffs in June, the majority have lifted owing to higher annual power and gas wholesale prices. Week-on-week Brent crude oil declined 6.2%, as on Friday 8 July prices dropped sharply to $46.5/bl, the lowest price in two months, as data from the US Energy Information Administration showed a decline in stockpiles that was less than traders expected. In contrast, API 2 coal rose 0.9% to $58.0/t and EU ETS carbon gained 0.7% to €4.5/t.

Baseload electricity

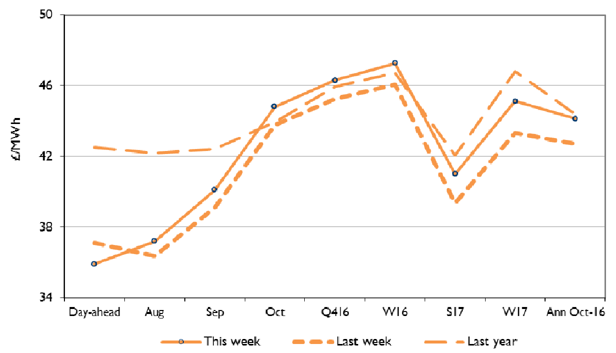
- Annual October 16 climbed 3.3% to £44.1/MWh this week, 10.5% above its level last month (£39.9/MWh), but 0.6% below its value last year (£44.4/MWh).
- The contract followed its gas counterpart higher.

- Most baseload power contracts experienced gains this week. The only exception was day-ahead power which lost 3.2% to £35.9/MWh, with increased wind power and lower demand.
- The month-ahead contract (August) went up 2.3% to £37.2/MWh, 11.8% lower than the same period last year (£42.2/MWh).

Annual October contract



Forward curve comparison

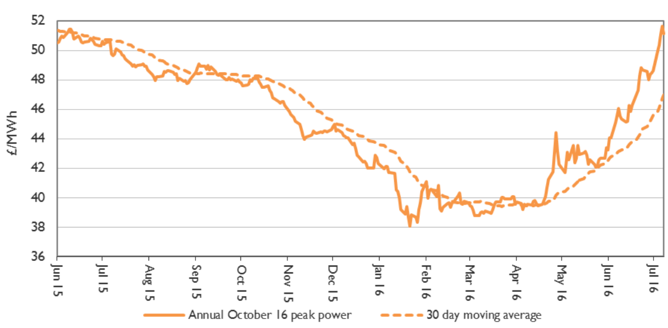


Peak electricity

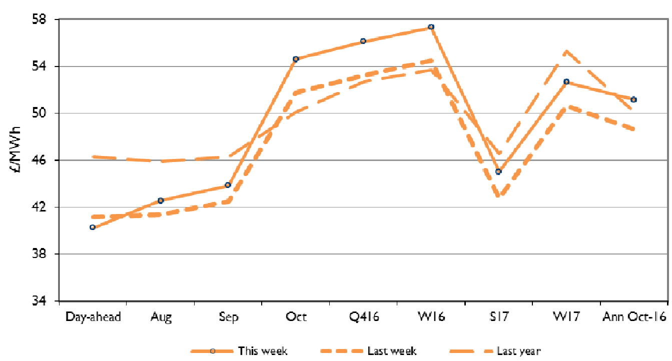
- Annual October 16 peak power gained 5.1% this week to £51.2/MWh. There was an increase in both the winter and summer contracts.
- The contract is now 12.8% above its level last month (£45.4/MWh), and 2.0% above its level last year (£50.1/MWh).

- Most peak power contracts experienced gains this week.
- The only exception was day-ahead peak power which fell 2.2% to £40.3/MWh, with increased wind power and lower demand.
- This week the maximum peak of 35.9GW occurred on Monday 4 July. Month-ahead peak power climbed 2.9% to £42.6/MWh.

Annual April contract

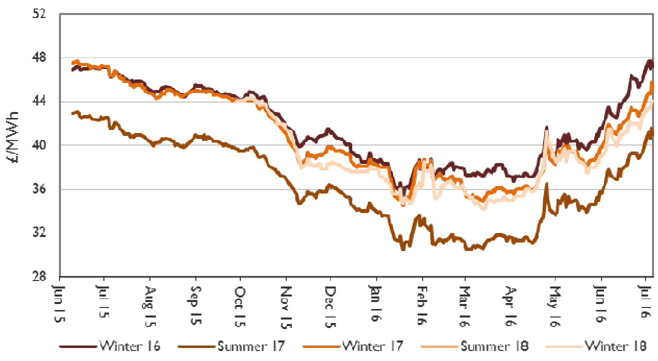


Forward curve comparison

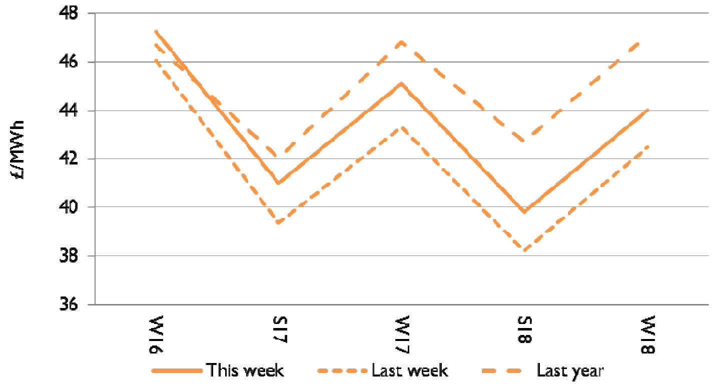


Seasonal power prices

Seasonal power contracts



Seasonal power curve



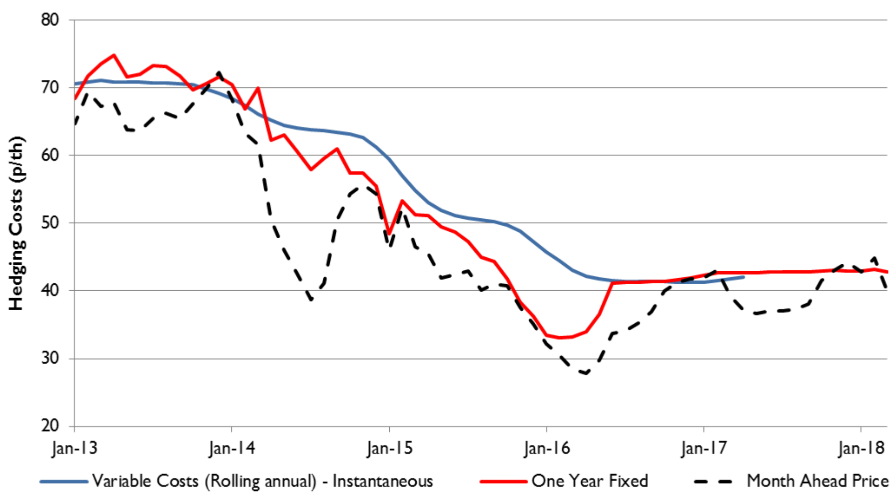
- All seasonal peak-power contracts moved higher this week. Winter 16 peak power went up 5.1% to £57.3/MWh, 14.6% above last month's levels (£50.0/MWh), and 6.7% higher than last year's level (£53.7/MWh).
- Summer 17 grew 5.1% to £45.0/MWh. Prices are now 10.6% above the level they were a month ago (£40.7/MWh), but 3.3% below the same period last year (£46.6/MWh).

Supplier hedging strategies

Power and gas contracts rose to multi-month highs in June. The annual October 16 power contract jumped 9.2% to average £40.8/MWh, reaching an nine-month high of £42.9/MWh on 23 June. Annual October 16 gas lifted 8.8% to average 37.3p/th, hitting a eight-month high of 41.5p/th on 24 June. Prices were led by recoveries in commodity prices. Brent crude oil gained 4.9% to average $49.9/bl, and API 2 coal grew 14.9% to $53.9/t.

There were 35 price changes to fixed domestic dual-fuel tariffs in June. Of these, seven were reductions and 28 were increases. Some notable tariff decreases (<4.0%) were seen from Robin Hood Energy (-5.9%), and SSE (-4.1%). Notable increases (>4.0%) were seen at First Utility (three tariffs up +17.4%, +9.7% and +6.1%), Go Effortless Energy (+4.2%), EDF (+5.2%, +4.3% and +7.0%), Ovo Energy (+7.6% and +7.1%), EnergySW (+5.0% and +6.8%), Southend Energy (+13.0% and +12.1%), Peterborough Energy (+10.0%), Fairer Power (+8.3%), GnERGY (+4.7%), Zog Energy (+7.1%), and GB Energy Supply (+6.1%).

Increased wholesale power and gas prices are now feeding into domestic retail tariffs. June therefore experienced a larger-than-normal number of tariff changes, many of which showed substantial gains.

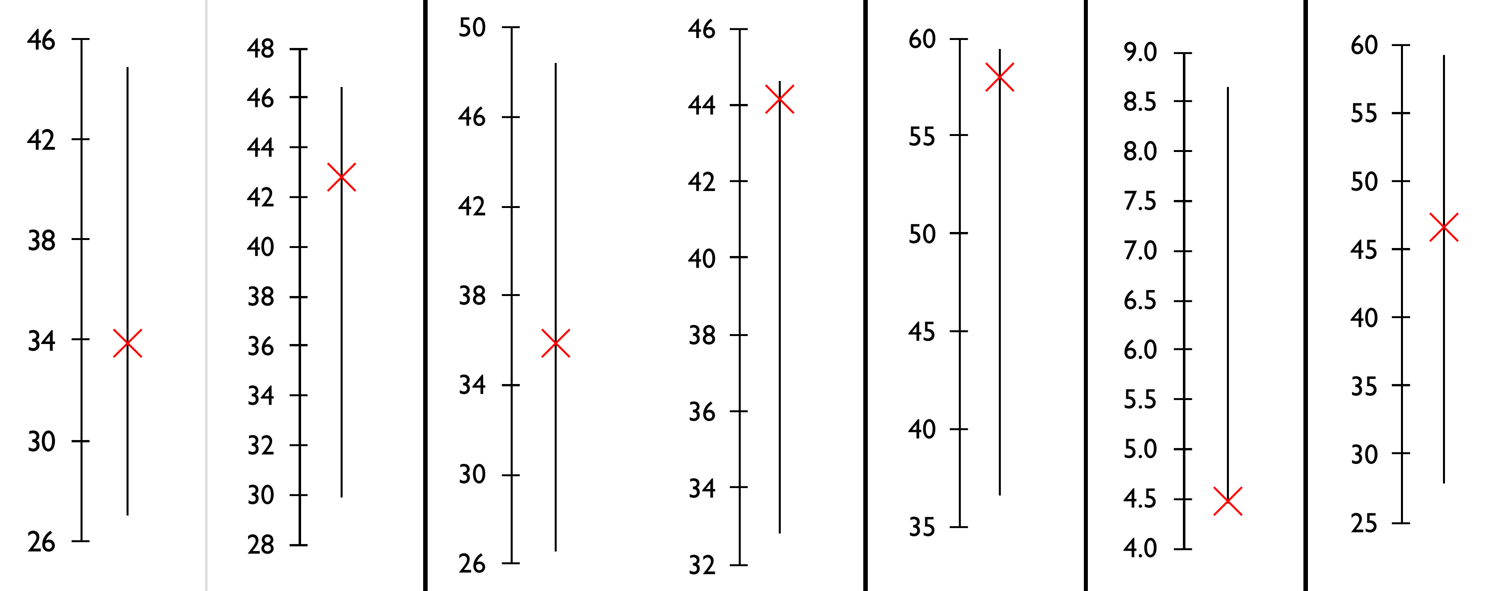


Wholesale price snapshot

Key market indicators: 08/07/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	8 Jul 16	33.90	42.77	35.90	44.13	58.00	4.48	46.53
Last week	1 Jul 16	33.60	41.42	37.10	42.70	57.50	4.45	49.58
Last month	10 Jun 16	33.75	37.70	38.00	39.93	52.00	5.99	51.20
Last year	10 Jul 15	44.70	46.47	42.50	44.38	58.50	7.58	59.19
Year-on-year % change		(24%)	(8%)	(16%)	(1%)	(1%)	(41%)	(21%)
Year high		44.85	46.47	48.40	44.63	59.40	8.64	59.19
Year low		27.00	29.88	26.56	32.84	36.55	4.45	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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