# Energy Wholesale Market Review

## Week Ending 22nd July 2016

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

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

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## Headlines 22/07/2016

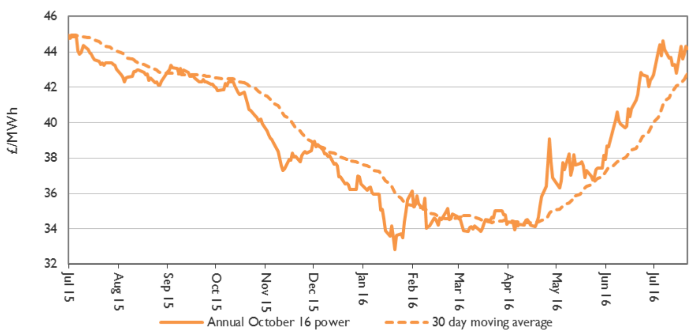
The majority of gas and power contracts made significant gains this week. Winter 16 gas experienced the largest rise, lifting 6.0% to 46.0p/th and hitting a one-year high of 46.9p/th on Monday. Centrica announced it is extending the closure of its Rough gas storage site, the UK's largest, until spring 2017 following the discovery of an issue with one of its wells. This has caused concerns around storage supplies for the coming winter, and supporting winter prices. Consequently, the winter 16 power contract climbed 4.6% to £48.0/MWh, reaching a high of £48.3/MWh on Monday, the highest price since March 2015. In the shorter-term, day-ahead gas climbed 8.5% to 35.8p/th, a seven-month high, as a series of outages tightened supplies. In contrast, day-ahead power fell 3.6% to £38.0/MWh. Brent crude oil lost 0.1% this week to average $46.9/bl, and hit a 10-week low of $45.5/bl on Friday afternoon. API 2 coal prices were up 0.7% to average $59.2/t, peaking at a 16-month high of $60.5/t on 18 July.

## Baseload electricity

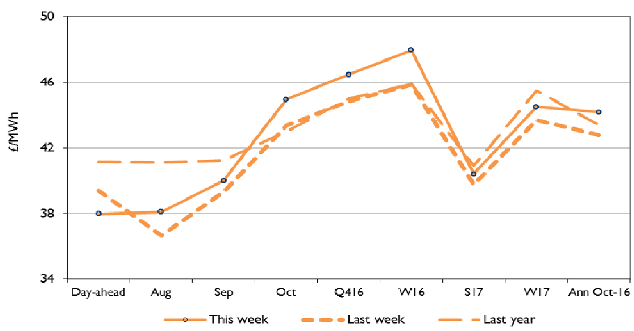
- Annual October 16 power grew 3.2% to £44.2/MWh this week.
- The contract is now 3.5% above its level last month (£42.7/MWh), and 1.8% above its value last year (£43.4/MWh).

- The majority of baseload power contracts experienced gains this week.
- The only exception was day-ahead power which fell 3.6% to £38.0/MWh. This was despite a rise in power demand across the week and lower wind output.

### Annual October contract




### Forward curve comparison

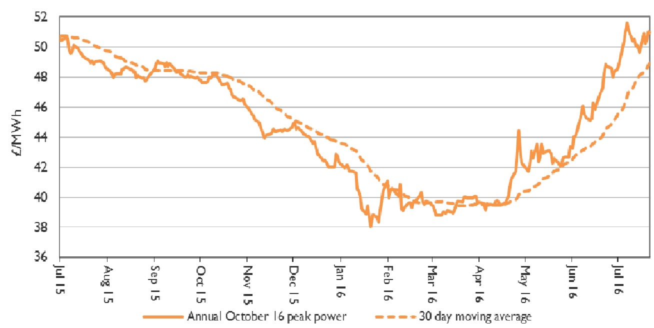



## Peak electricity

- Annual October 16 peak power climbed 2.6% this week to £51.0/MWh, with a rise in both the winter 16 and summer 16 contracts.
- The contract is now 4.6% above its level last month (£48.7/MWh), and 4.0% above its level last year (£49.0/MWh).

- The majority of peak power contracts experienced gains this week.
- The only exception was day-ahead peak power which dropped 3.3% to £42.8/MWh, despite higher peak demand levels compared to the previous week.
- Month-ahead peak power was up 2.6% to £42.8/MWh.

### Annual October contract

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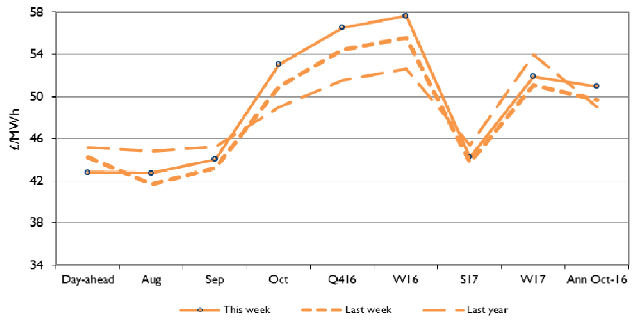
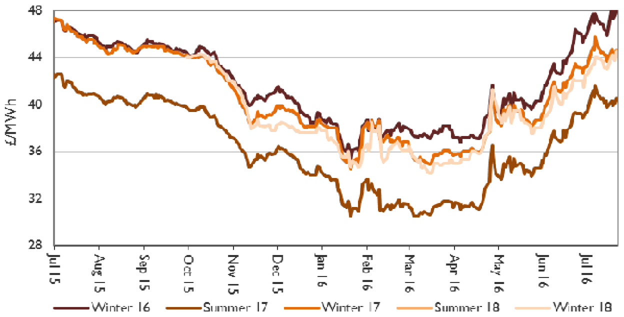
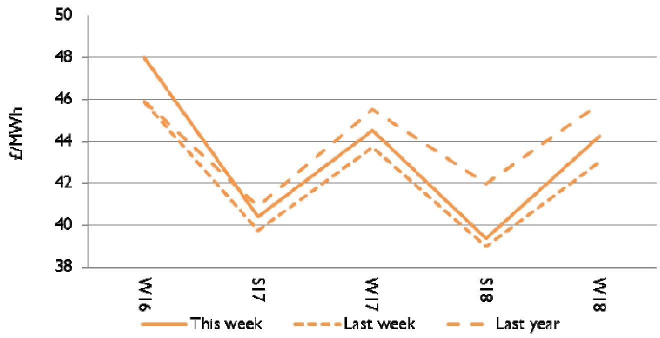


## Seasonal power prices

### Seasonal power contracts




### Seasonal power curve



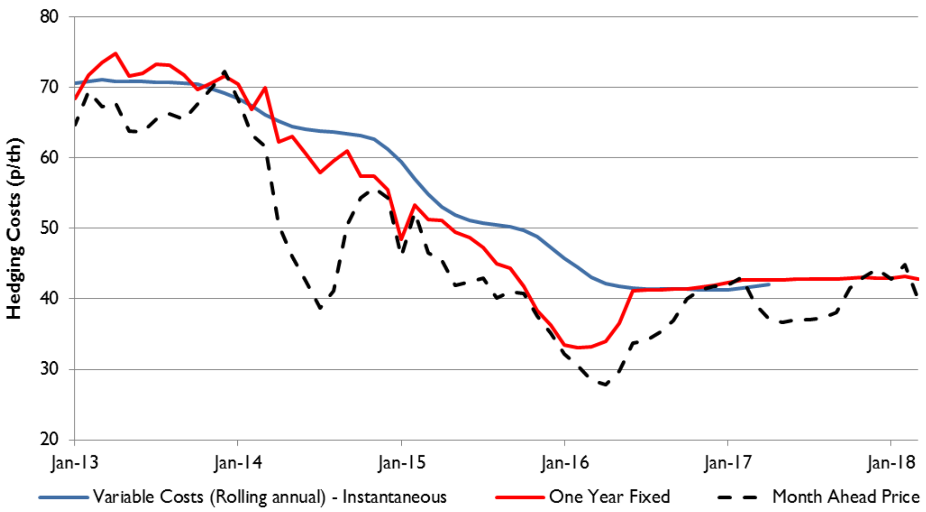

- All seasonal power contracts increased this week.
- Winter 16 power experienced the largest rise, lifting 4.6% to £48.0/MWh. The contract followed its gas counterpart higher, which was supported by news that the Rough gas storage facility could be closed until spring next year.
- The contract hit a high of £48.3/MWh on Monday, the highest price since March 2015.
- Summer 17 power climbed 1.6% to £40.4/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.

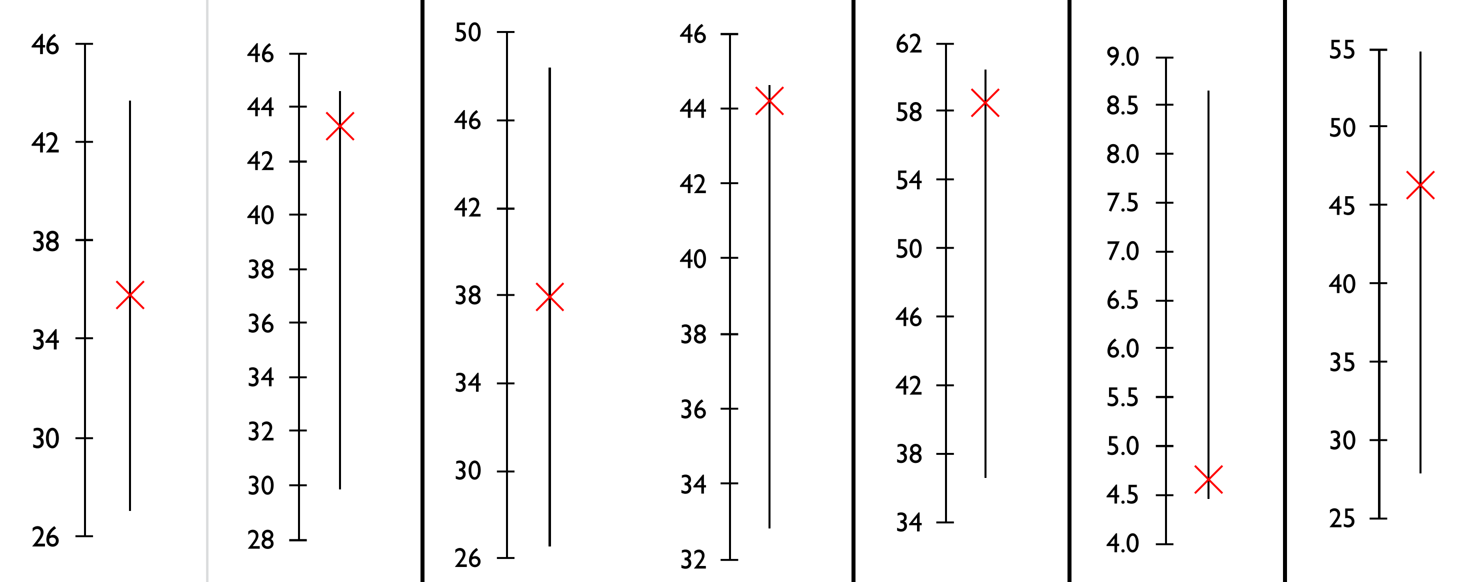


# Wholesale price snapshot

**Key market indicators: 22/07/2016**

| | | Gas (p/th) | | Electricity (£/MWh) | | Coal | Carbon | Brent crude |
|---|---|---|---|---|---|---|---|---|
| | | Day-ahead | Year-ahead | Day-ahead | Year-ahead | ($/t) | (€/t) | ($/bl) |
| This week | 22 Jul 16 | 35.80 | 43.25 | 37.97 | 44.18 | 58.50 | 4.65 | 46.23 |
| Last week | 15 Jul 16 | 33.00 | 41.51 | 39.40 | 42.80 | 59.00 | 4.68 | 46.91 |
| Last month | 24 Jun 16 | 34.80 | 41.54 | 37.00 | 42.70 | 55.50 | 5.04 | 48.56 |
| Last year | 24 Jul 15 | 42.40 | 44.54 | 41.15 | 43.40 | 56.90 | 8.04 | 54.82 |
| Year-on-year % change | | (16%) | (3%) | (8%) | 2% | 3% | (42%) | (16%) |
| Year high | | 43.65 | 44.57 | 48.40 | 44.63 | 60.50 | 8.64 | 54.82 |
| 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.

**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