Energy Wholesale Market Review

Week Ending 29th July 2016

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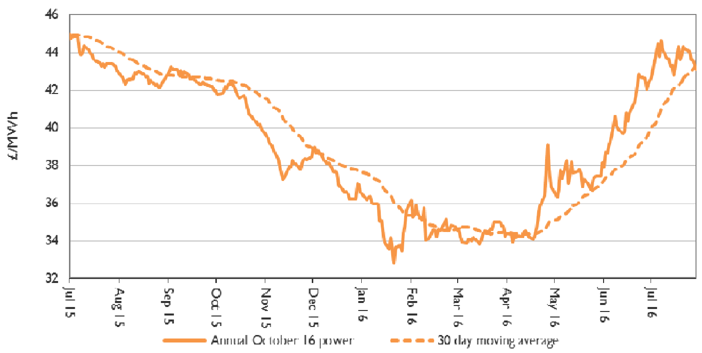
Headlines 29/07/2016

Day-ahead gas hit a seven-month high of 36.75p/th on 25 July, as a Norwegian gas field outage was extended into August. However the price slipped week-on-week 0.1% to 35.8p/th, with high UK domestic production flows weighing. Along the curve gas and power contracts experienced mixed movements. Winter 16 gas decreased 4.0% to 44.1p/th. Day-ahead power gained 3.8% to £39.4/MWh, amid lower wind output. In contrast, the winter contract dropped 3.0% to £46.5/MWh. Brent crude oil dropped 8.6% to $42.3/bl. On Friday 29 July, prices reached a new three-month low of $42.3/bl, with data from the US government which showed a rise in crude and gasoline inventories and reported builds in US crude stocks, both of which added to the continued concerns regarding global oversupply and uncertainty surrounding global markets. API 2 coal increased 4.3% to $61.0/t, prices peaked at $61.75/t on Thursday 28 July, the highest price since March 2015. EU ETS carbon lost 5.2% to €4.4/t.

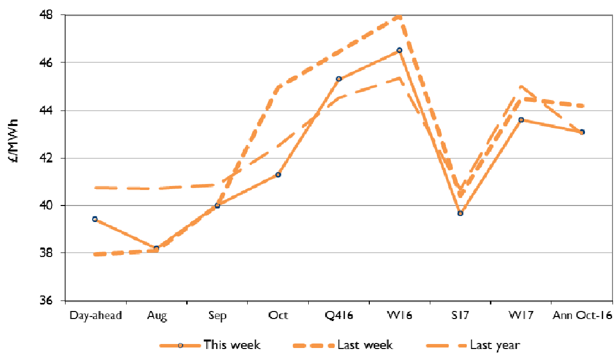
Baseload electricity

- Annual October 16 power fell 2.5% to £43.1/MWh this week.
- The contract is now 0.9% above its level last month (£42.7/MWh), and 0.1% above its value last year (£43.0/MWh).
- Baseload power contracts experienced mixed movements this week.
- Day-ahead power moved 3.8% higher to £39.4/MWh, amid lower wind output. This was despite a fall in power demand across the week.

Annual October contract



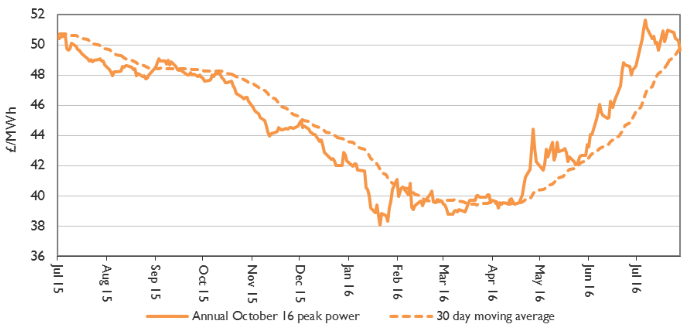
Forward curve comparison



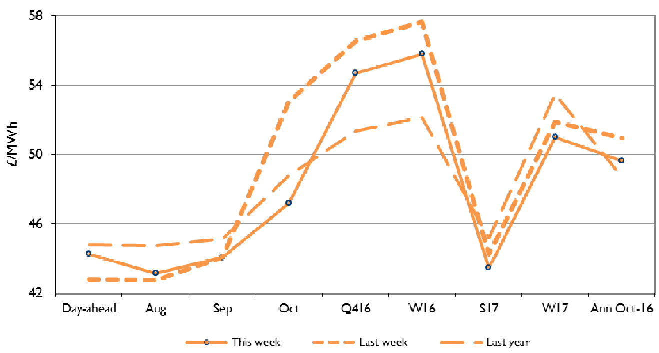
Peak electricity

- Annual October 16 peak power went down 2.6% this week to £49.6/MWh, with a decline in both the winter 16 and summer 17 contracts.
- The contract is now 2.0% above its level last month (£48.7/MWh), and 2.0% above its level last year (£48.7/MWh).
- Peak power contracts experienced mixed movements this week.
- Day-ahead peak power went up 3.4% to £44.3/MWh, despite decreased peak demand levels compared to the previous week.
- Month-ahead peak power was up 0.9% to £43.2/MWh.

Annual October contract

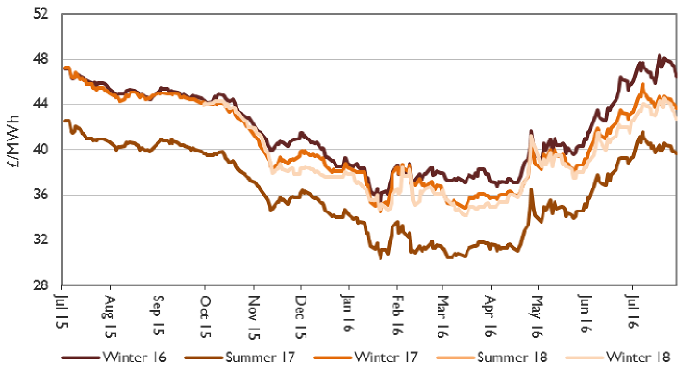


Forward curve comparison

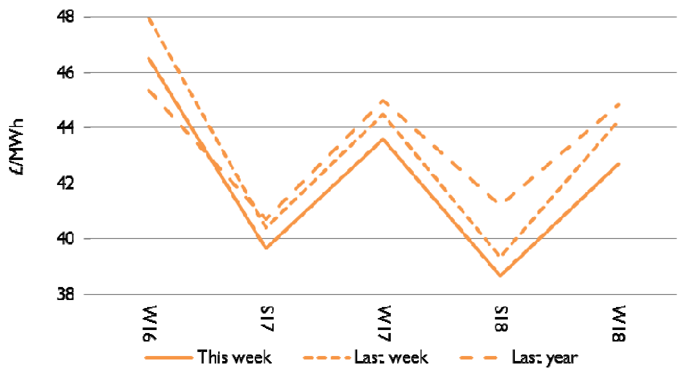


Seasonal power prices

Seasonal power contracts



Seasonal power curve



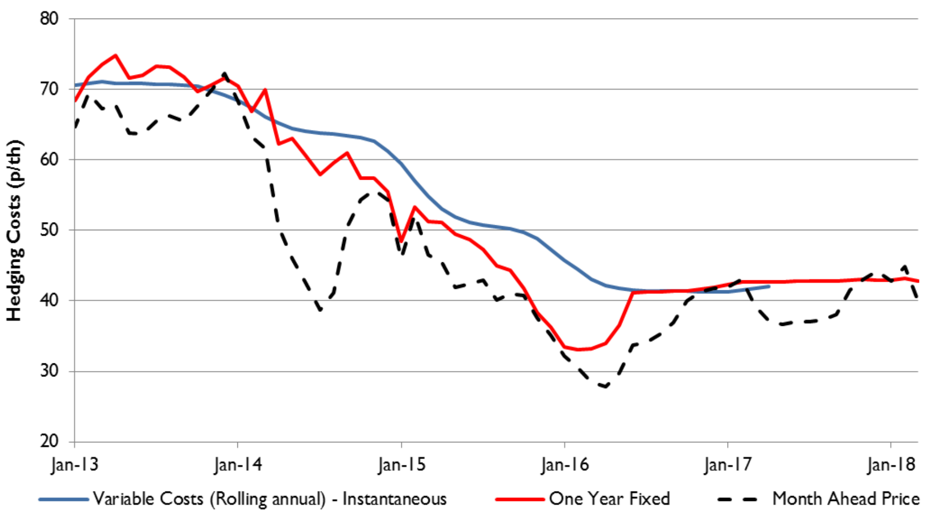
- All seasonal peak-power contracts moved lower this week, following their gas counterparts.
- Winter 16 peak power experienced the largest change, down 3.2% to £55.8/MWh, 2.4% above last month's levels (£54.5/MWh), and 7.0% higher than last year's levels (£52.2/MWh).
- Summer 17 lost 1.8% to £43.5/MWh, 1.5% above its value a month ago (£42.8/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.

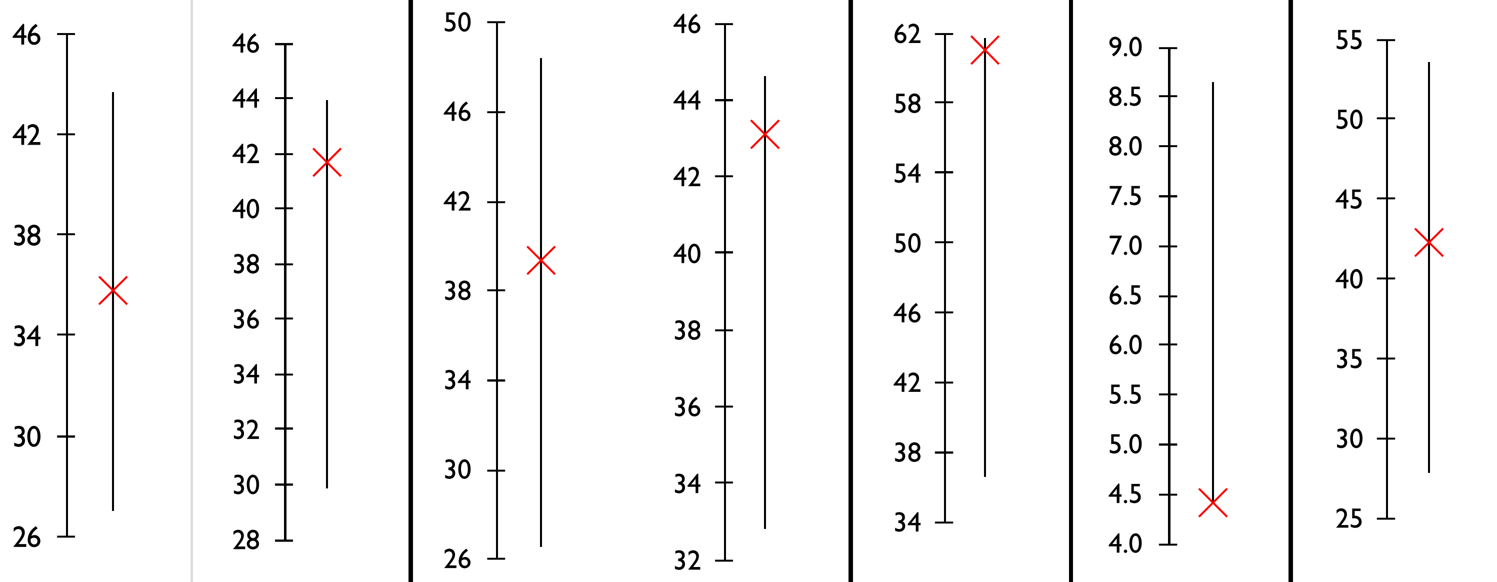


Wholesale price snapshot

Key market indicators: 29/07/2016

		Gas (p/th)		Electricity (£/MWh)		Coal ($/t)	Carbon (€/t)	Brent crude ($/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	29 Jul 16	35.75	41.70	39.40	43.08	61.00	4.41	42.26
Last week	22 Jul 16	35.80	43.25	37.97	44.18	58.50	4.65	46.23
Last month	1 Jul 16	33.60	41.42	37.10	42.70	57.50	4.45	49.58
Last year	31 Jul 15	43.65	43.95	40.76	43.03	56.45	7.87	52.62
Year-on-year % change		(18%)	(5%)	(3%)	0%	8%	(44%)	(20%)
Year high		43.65	43.95	48.40	44.63	61.75	8.64	53.61
Year low		27.00	29.88	26.56	32.84	36.55	4.41	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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