Energy Wholesale Market Review

Week Ending 5th August 2016

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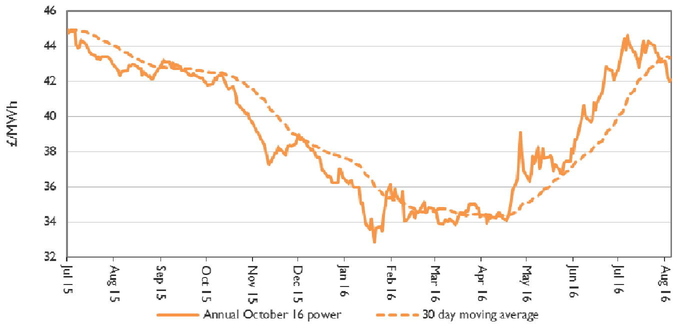
Headlines 05/08/2016

Gas and power contracts decreased across the board this week. Day-ahead gas declined 5.0% to 34.0p/th, with supply generally outweighing demand and flows mostly above the seasonal norm. Day-ahead power dropped 11.4% to £34.9/MWh, amid high wind output and a fall in power demand. Winter 16 gas fell 4.0% to 42.4p/th, following oil prices lower. Winter 16 power slipped 2.0% to £45.6/MWh, following its gas counterpart lower. Brent crude oil reduced by 2.4% to average $42.9/bl this week. Prices lowered amid continued concern regarding global oversupply and higher OPEC production. Prices recovered at the end of the week to $43.8/bl on Friday. API 2 coal reduced 8.6% to $55.8/t and on 4 August prices were at $58.2/t, the lowest price in three weeks. However, prices have shown a significant recovery since reaching a low point of $36.6/t in February 2016. Week-on-week EU ETS carbon went up 8.2% to €4.8/t, however on 2 August prices fell to €4.4/t, the lowest price since March 2014.

Baseload electricity

- Annual October 16 power fell 2.3% to £42.1/MWh this week.
- The contract is now 4.6% under its level last month (£44.1/MWh), and 1.1% below its value last year (£42.6/MWh).
- Baseload power contracts all experienced losses this week.
- Day-ahead power moved 11.4% lower to £34.9/MWh, amid high wind output and a fall in power demand.

Annual October contract

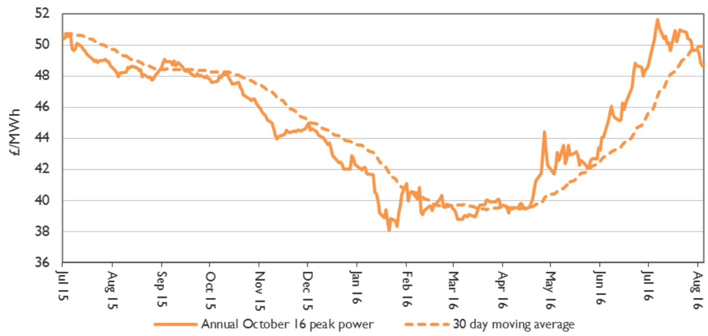


Forward curve comparison

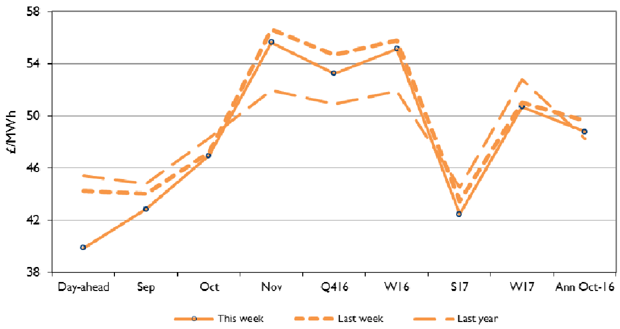
Peak electricity

- Annual October 16 peak power went down 1.7% this week to £48.8/MWh, with a decline in both the winter 16 and summer 17 contracts.
- The contract is now 4.6% below its level last month (£51.2/MWh), and 1.2% above its level last year (£48.2/MWh).
- All peak power contracts decreased this week.
- Day-ahead peak power went down 9.9% to £39.9/MWh, with decreased peak demand levels compared to the previous week.
- Month-ahead peak power was down 2.7% to £42.9/MWh.

Annual October contract

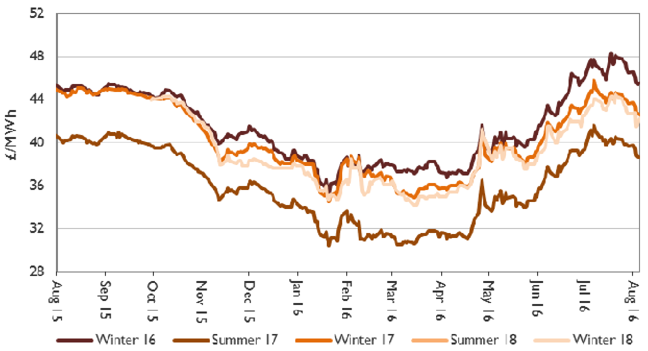


Forward curve comparison

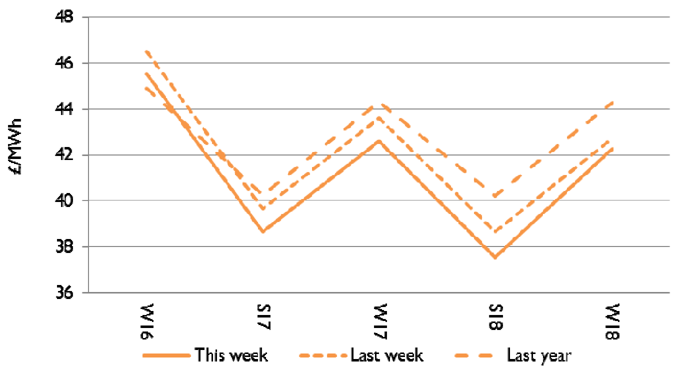


Seasonal power prices

Seasonal power contracts



Seasonal power curve



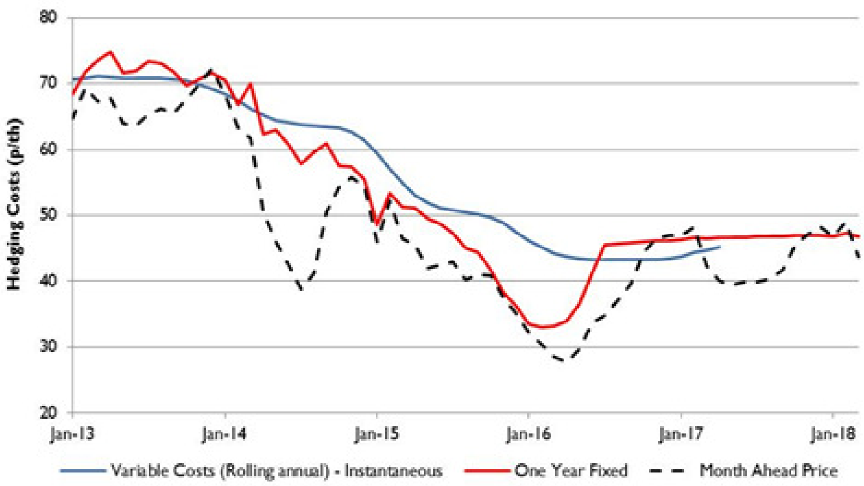
- All seasonal peak-power contracts moved lower this week, following their gas counterparts.
- Winter 16 peak power dropped 1.2% to £55.2/MWh, 3.8% below last month's levels (£57.3/MWh), and 6.3% higher than last year's levels (£51.9/MWh).
- The summer 17 contract experienced the largest change, down 2.3% to £42.5/MWh. The contract was 5.7% lower than its value a month ago (£45.0/MWh).

Supplier hedging strategies

There was a bullish trend in the GB energy market in July, with all gas and power contracts experiencing gains. The annual October 16 gas contract rose 9.0% to 42.6p/th. The annual October 16 baseload power contract improved 7.3% to average £43.8/MWh, following the gas market higher. API 2 coal rose 9.1% to average $58.8/t, although Brent crude oil prices lost 5.3% to average $47.2/bl in July.

There were 30 price changes to fixed domestic dual-fuel tariffs in July. Of these, four were reductions and 26 were increases, Some notable tariff increases (>4.0%) were seen at Extra Energy (+21.8%, +21.7% and +13.6%), Sainsbury's Energy (+12.6% and +11.2%), Spark (+9.6%), Co-operative Energy (+7.0%), Green Star Energy (+5.4%), Flow Energy (+5.3%) and First Utility (+4.6%).

Increased wholesale power and gas prices are now feeding into domestic retail tariffs. July therefore experienced a larger-than-normal number of tariff changes, many of which showed substantial gains. The market leading dual-fuel tariff at the start of the month was priced at £734 per year for a medium user. By the end of the month, the market leading tariff was £770 per year.

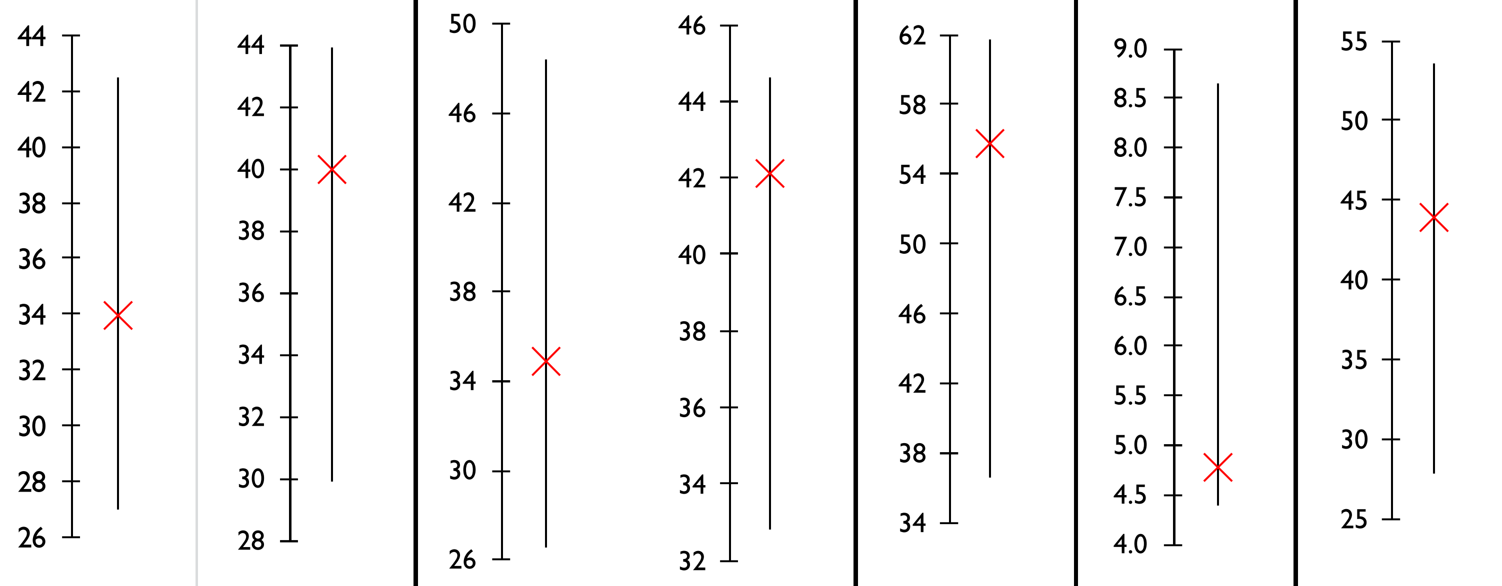


Wholesale price snapshot

Key market indicators: 05/08/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	5 Aug 16	33.95	40.00	34.91	42.10	55.75	4.77	43.83
Last week	29 Jul 16	35.75	41.70	39.40	43.08	61.00	4.41	42.26
Last month	8 Jul 16	33.90	42.77	35.90	44.13	58.00	4.48	46.53
Last year	7 Aug 15	40.80	43.20	42.00	42.58	55.25	7.80	49.49
Year-on-year % change		(17%)	(7%)	(17%)	(1%)	1%	(39%)	(11%)
Year high		42.45	43.89	48.40	44.63	61.75	8.64	53.61
Year low		27.00	29.88	26.56	32.84	36.55	4.39	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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