



Energy Wholesale Market Review

Week Ending 12th August 2016



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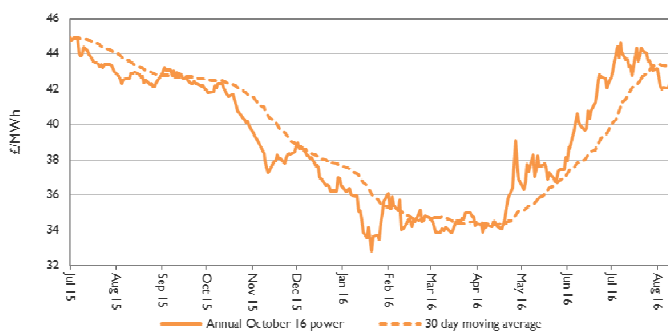
Headlines 12/08/2016

Gas and power contracts experienced mixed trends this week. On the near-curve gas contracts showed notable declines, with day-ahead gas dropping 5.7% to 32.0p/th, the lowest price since May this year. Declines have been attributed to low demand levels and comfortable supplies, which left the gas system oversupplied. In contrast, day-ahead power jumped 8.9% to £38.0/MWh, with wind output forecast to decline significantly. Further out, most seasonal gas contracts followed oil prices higher. The only exception was winter 16 which fell 0.2% to 42.3p/th. Meanwhile, seasonal baseload and peak power contracts showed diverging trends, with those in the near-term rising. Winter 16 peak power rose to £56.2/MWh, £10.3/MWh higher than its baseload counterpart, owing to concerns around supply margins for the coming winter. Brent crude oil prices climbed 4.9% to average \$45.0/bl on the prospect that oil exporters will discuss ways to support the oversupplied market.

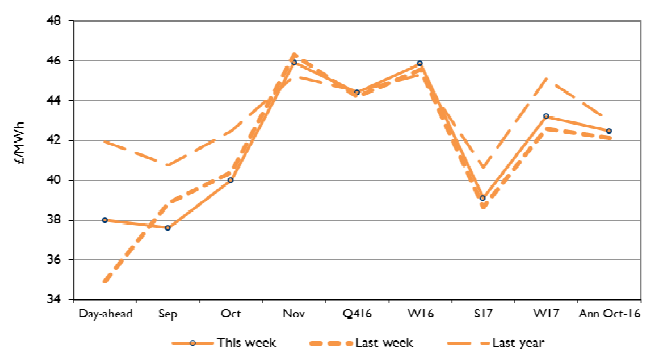
Baseload electricity

- Annual October 16 power rose 0.9% to £42.5/MWh this week.
- The contract is now 0.8% under its level last month (£42.8/MWh), and 1.2% below its value last year (£43.0/MWh). Price rises over the last three months have seen the contract rise to its highest levels in more than a year.
- Baseload power contracts experienced mixed trends this week. Day-ahead power jumped 8.9% to £38.0/MWh, as wind output is forecast to decline significantly into the beginning of next week.
- In contrast, the month-ahead contract (September) slipped 3.2% to £37.6/MWh, 4.3% lower than the same period last month (£39.3/MWh).

Annual October contract



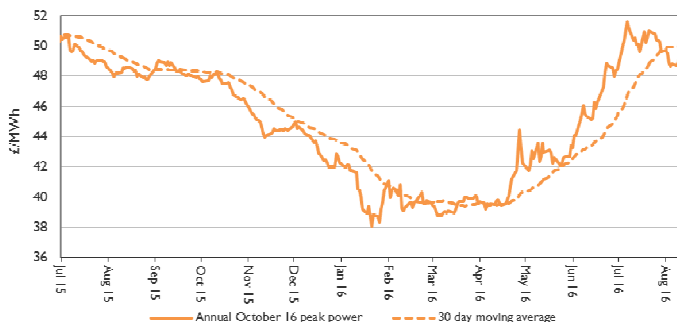
Forward curve comparison



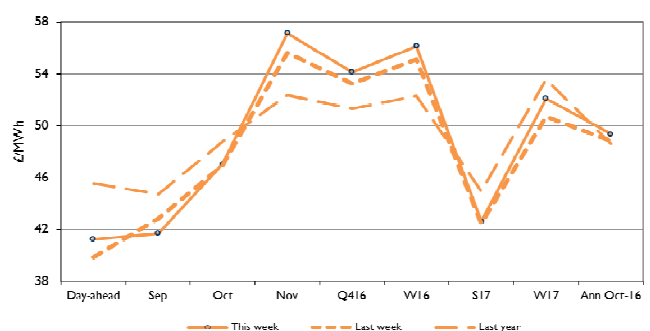
Peak electricity

- Annual October 16 peak power boosted 1.2% this week to £49.4/MWh, with a rise in both the winter 16 and summer 17 contracts.
- The contract is now 0.6% below its level last month (£49.7/MWh), and 1.5% above its level last year (£48.6/MWh).
- The majority of peak power contracts rose this week. Day-ahead peak power went up 3.5% to £41.3/MWh, despite a reduction in its baseload counterpart.
- Winter 16 peak power rose to £56.2/MWh, £10.3/MWh higher than its baseload counterpart, owing to supply concerns for the coming winter.

Annual October contract



Forward curve comparison



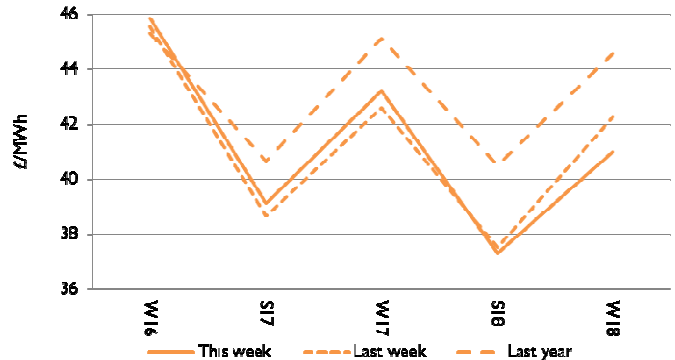


Seasonal power prices

Seasonal power contracts



Seasonal power curve



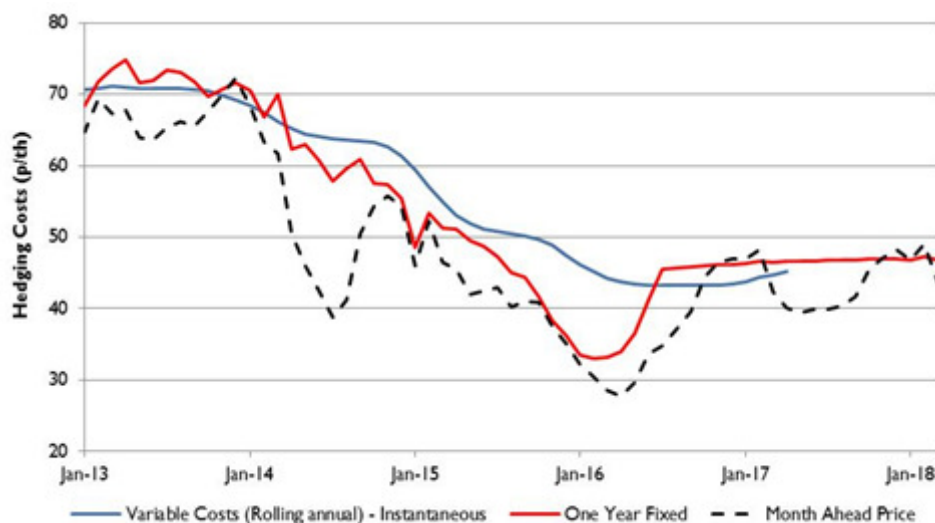
- Seasonal baseload power contracts experienced diverging trends this week. Contracts to winter 17 rose, while those further out decreased.
- Winter 16 power lifted 0.7% to £45.9/MWh, supported by a rise in carbon prices. The contract was unchanged on its value last month.
- Summer 17 power gained 1.2% to £39.1/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: 12/08/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	12 Aug 16	32.00	40.23	38.00	42.48	59.50	4.90	46.07
Last week	5 Aug 16	33.95	40.00	34.91	42.10	55.75	4.77	43.83
Last month	15 Jul 16	33.00	41.51	39.40	42.80	59.00	4.68	46.91
Last year	14 Aug 15	40.65	43.59	41.95	42.98	54.15	8.19	49.20
Year-on-year % change		(21%)	(8%)	(9%)	(1%)	10%	(40%)	(6%)
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
<p>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.</p>								



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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