Energy Wholesale Market Review

Week Ending 2nd September 2016

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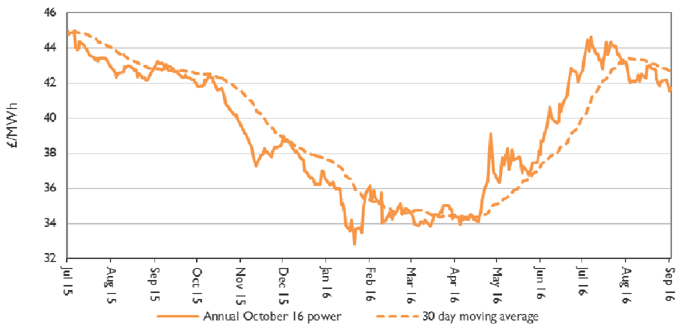
Headlines 02/09/2016

The majority of wholesale power and gas contracts declined this week, with multiple contracts reaching new lows on Thursday 1 September. Day-ahead gas slid to 21.5p/th on Thursday, the lowest price since October 2009, caused by a sharp rise in LNG imports which left the system oversupplied. In addition, day-ahead power reached an eight-month low of £30.3/MWh, the winter 16 gas contract fell to an 11-week low of 39.0p/th, and the winter 16 power contract hit a 10-week low of £44.9/MWh. Week-on-week winter 16 gas was down 2.3% to 39.2p/th, following oil prices lower. Winter 16 power slipped 0.9% to £45.2/MWh. The day-ahead clean dark spread (coal) slipped further negative, falling to -£5.1/MWh. Brent crude oil prices fell 3.4% this week to average $47.5/bl. On Friday 2 September, prices dropped to $45.8/bl, a new three-week low, amid high US and global crude inventory levels. EU ETS carbon prices dropped 6.7% to average €4.4/t. On Friday, EU ETS carbon plummeted to €4.0/t, the lowest price in over three years, as supply increased after a reduced auction calendar in August.

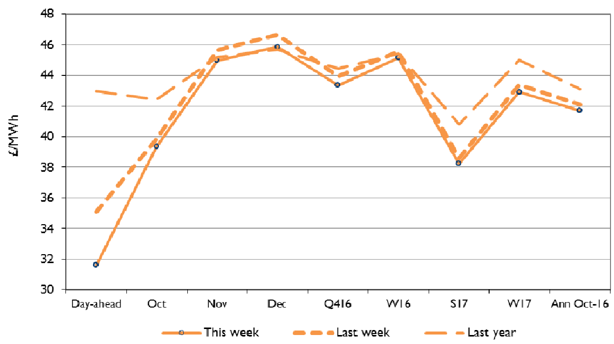
Baseload electricity

- All baseload power contracts declined this week, following gas prices lower.
- Annual October 16 power fell 0.9% to £41.7/MWh this week.
- The contract is now 1.0% under its level last month (£42.1/MWh), and 3.2% below its value last year (£43.1/MWh).
- Day-ahead power dropped 9.9% to £31.6/MWh. On Thursday 1 September the contract reached an eight-month low of £30.3/MWh.
- Contracts moved forward this week. The new month-ahead contract (October) lost 1.3% to £39.4/MWh. This was 2.6% lower than the same period last month (£40.4/MWh).

Annual October contract



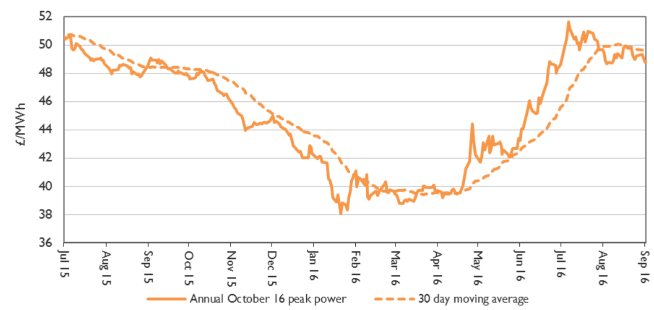
Forward curve comparison



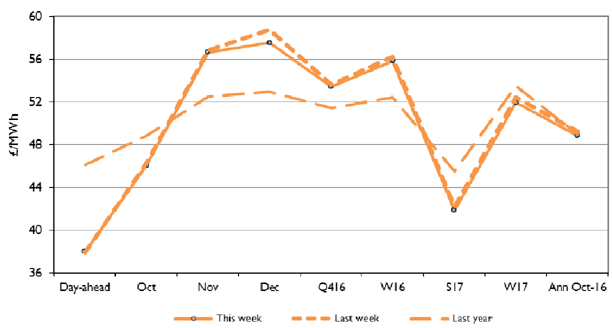
Peak electricity

- Annual October 16 peak power declined 0.8% this week to £48.9/MWh, with a fall in both the winter 16 and summer 17 contracts.
- The contract is now 0.1% above its level last month (£48.8/MWh), but 0.2% under its level last year (£49.0/MWh).
- The majority of peak power contracts decreased this week, amid lower demand.
- The only exception was day-ahead peak power which gained 0.3% to £38.0/MWh.
- Month-ahead (October) peak power fell 0.4% to £46.1/MWh.

Annual October contract

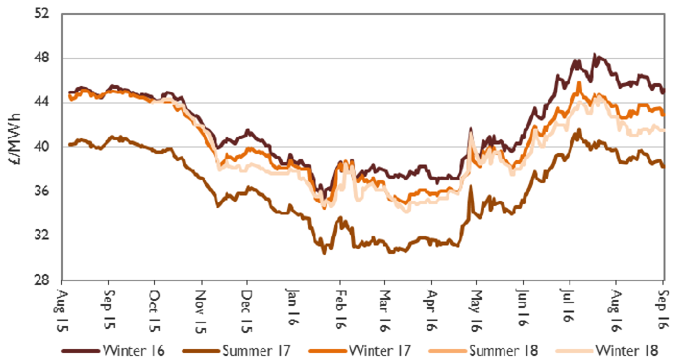


Forward curve comparison

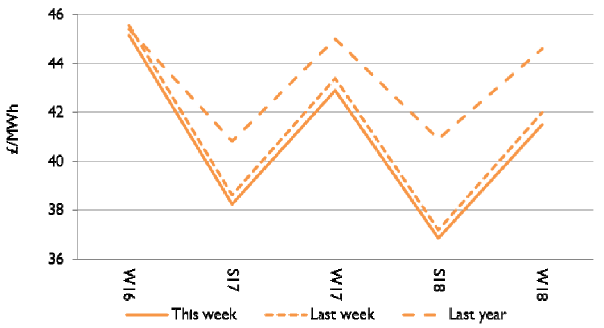


Seasonal power prices

Seasonal power contracts



Seasonal power curve



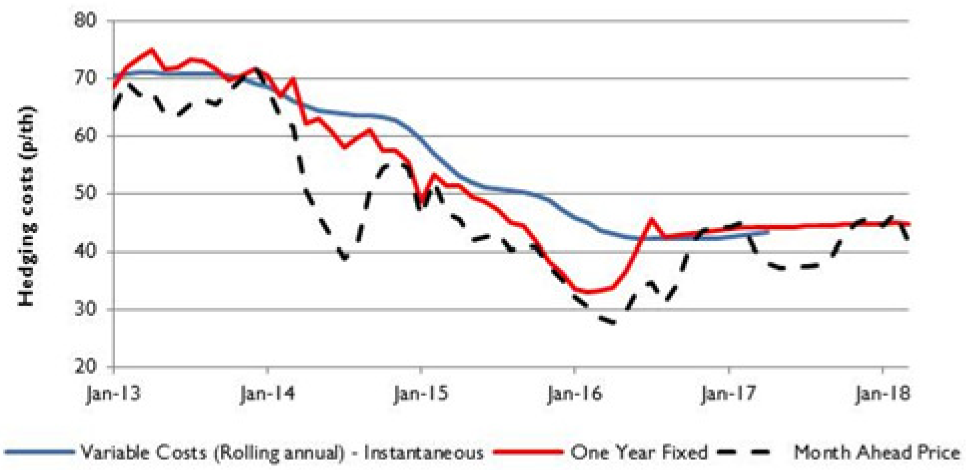
- All seasonal baseload power contracts experienced falls this week.
- Summer 17 power dipped 0.9% to £38.3/MWh.
- Winter 16 power slipped 0.9% to £45.2/MWh. On Thursday 1 September the contract hit a 10-week low of £44.9/MWh. The contract followed its gas counterpart lower.

Supplier hedging strategies

Losses in commodity markets created a bearish trend in the GB energy market in August, with nearly all gas and power contracts experiencing declines. The annual October 16 gas contract lost 6.0% to average 40.0p/th. The annual October 16 baseload power contract fell 3.0% to average £42.4/MWh, following the gas market lower. API 2 coal lost 1.3% to average $58.3/t, and Brent crude oil prices lost 0.2% to average $46.7/bl in August.

There were 31 price changes to fixed domestic dual-fuel tariffs in August. Of these, ten were reductions and 21 were increases. Some notable tariff increases (>4.0%) were seen at Co-operative Energy (+20.0%), npower (+7.8%), Extra Energy (+7.3%), iSupplyEnergy (+7.1%), Scottish Power (+6.3% and +4.3%), EDF (+5.1%), LoCO2 (+4.5%), OVO Energy (+4.4% and +4.2%). Notable tariff decreases (>4.0%) were seen at npower (-7.9%) and Extra Energy (-3.6%).

The market leading dual-fuel tariff was unchanged across the month, at £770 per year for a typical medium user. However, the falling cost of supply may have allowed some shorter hedged suppliers to pass on reductions in their tariff offering.

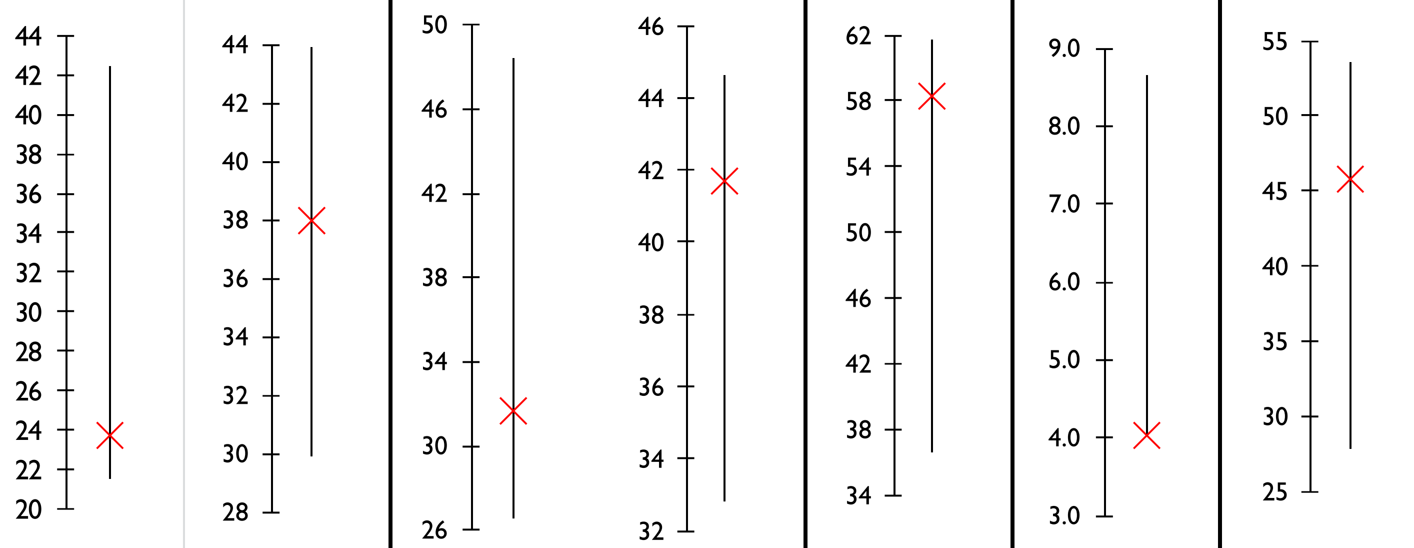


Wholesale price snapshot

Key market indicators: 02/09/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	2 Sep 16	23.75	37.95	31.62	41.70	58.30	4.03	45.83
Last week	26 Aug 16	28.35	38.70	35.11	42.08	57.00	4.73	49.27
Last month	5 Aug 16	33.95	40.00	34.91	42.10	55.75	4.77	43.83
Last year	4 Sep 15	41.80	43.73	42.96	43.10	52.80	8.15	50.61
Year-on-year % change		(43%)	(13%)	(26%)	(3%)	10%	(51%)	(9%)
Year high		42.45	43.89	48.40	44.63	61.75	8.64	53.61
Year low		21.50	29.88	26.56	32.84	36.55	4.03	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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