Energy Wholesale Market Review

Week Ending 16th September 2016

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Contents

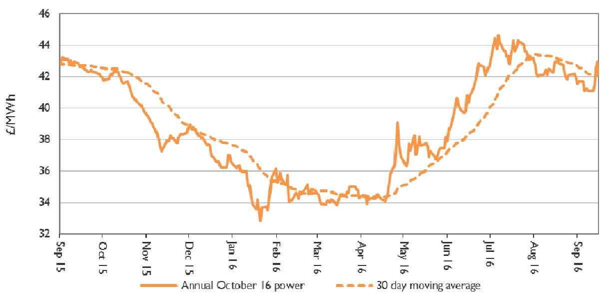
Headlines 16/09/2016

Day-ahead baseload power rocketed 339.4% to £157.7/MWh on Friday 16 September, with tightening supply margins. This was the highest price since March 2006, following a likely drop in peak wind power generation to around 1GW on Monday 19 September. Planned outages with the French and Dutch interconnectors are expected to lower continental European imports by 2GW. The price spike caused the day-ahead clean spark spread to surge 1,104.0% to £130.0/MWh this week, while the day-ahead clean dark spread soared from -£0.1/MWh to £121.1/MWh. Week-on-week winter 16 power increased by 3.2% to £45.8/MWh, following its gas counterpart higher. Day-ahead gas went up 15.1% to 28.7p/th, amid higher demand. Gas for winter 16 rose 2.3% to 39.0p/th. Week-on-week, Brent crude oil prices declined 7.0% to $45.9/bl, and on average lost 3.2% $46.8/bl. Prices slipped after the IEA forecast that the market will be oversupplied at least through the first six months of 2017. Week-on-week API 2 coal prices climbed 2.7% to $57.8/t. EU ETS carbon gained 2.7% to €4.2/t.

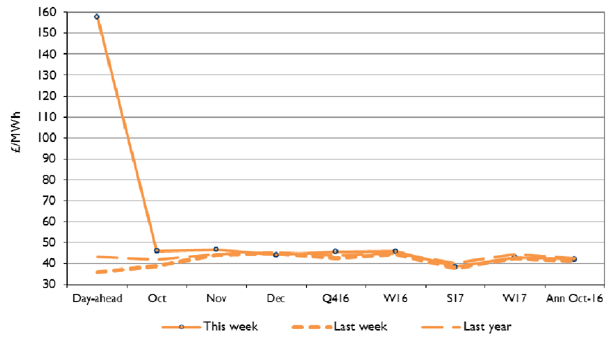
Baseload electricity

- Most baseload power contracts rose this week, with the day-ahead contract influenced by tight capacity margins.
- Annual October 16 power went up 2.5% to £42.1/MWh this week.
- The contract is now 1.7% under its level last month (£42.9/MWh), and 0.9% below its value last year (£42.5/MWh).
- On Friday 16 September, day-ahead power rocketed 339.4% to £157.7/MWh. This was the highest price since March 2006.
- The month-ahead contract (October) rose 18.6% to £46.0/MWh. This was 15.0% higher than the same period last month (£40.0/MWh).

Annual October contract



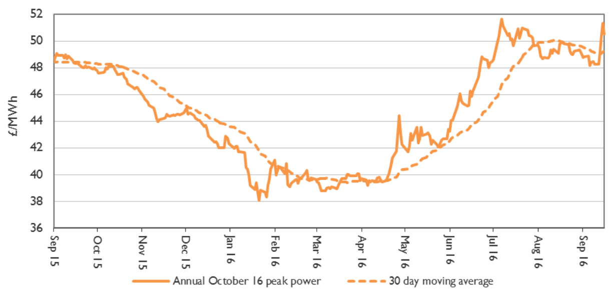
Forward curve comparison



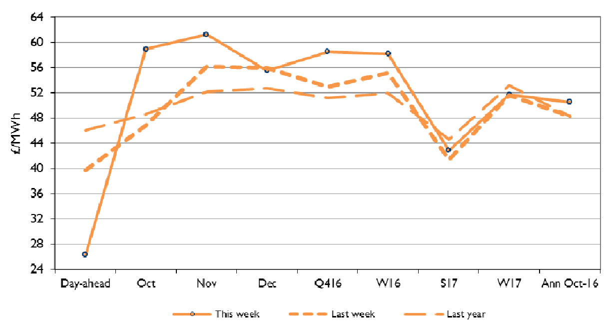
Peak electricity

- Annual October 16 peak power went up 4.7% this week to £50.5/MWh, with a rise in both the winter 16 and summer 17 contracts.
- The contract is now 1.5% above its level last month (£49.8/MWh), and 4.7% greater than its level last year (£48.3/MWh).
- Peak power contracts were mixed this week.
- Day-ahead peak power dropped 33.8% to £26.3/MWh. On Wednesday 14 September, the contract surged to £130.0/MWh.
- The month-ahead (October) peak power gained 25.9% to £58.9/MWh.

Annual October contract

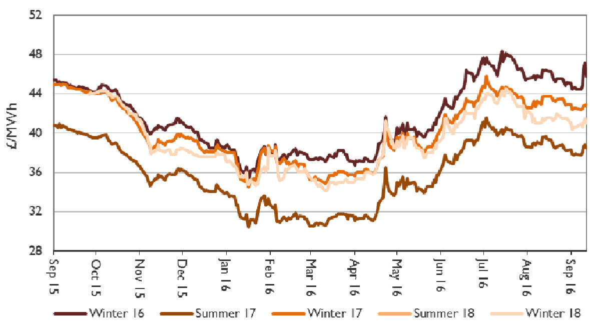


Forward curve comparison

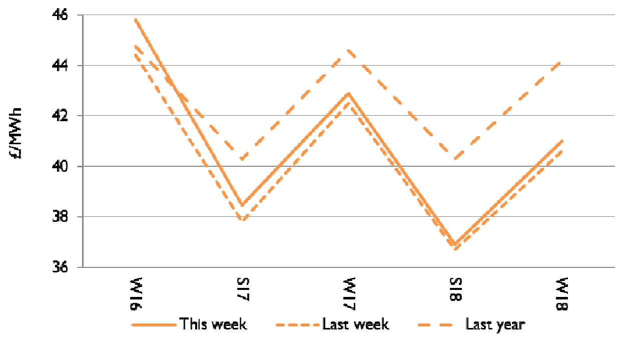


Seasonal power prices

Seasonal power contracts



Seasonal power curve



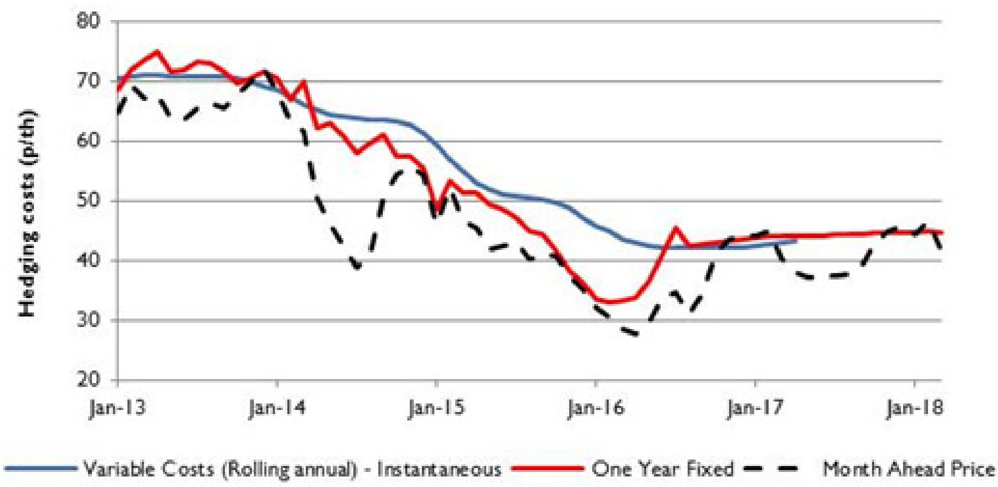
- All seasonal peak-power contracts moved higher, following their baseload power and gas counterparts higher.
- The summer 17 contract climbed 3.5% to £42.9/MWh.
- Winter 16 peak power increased 5.6% to £58.2/MWh.

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.

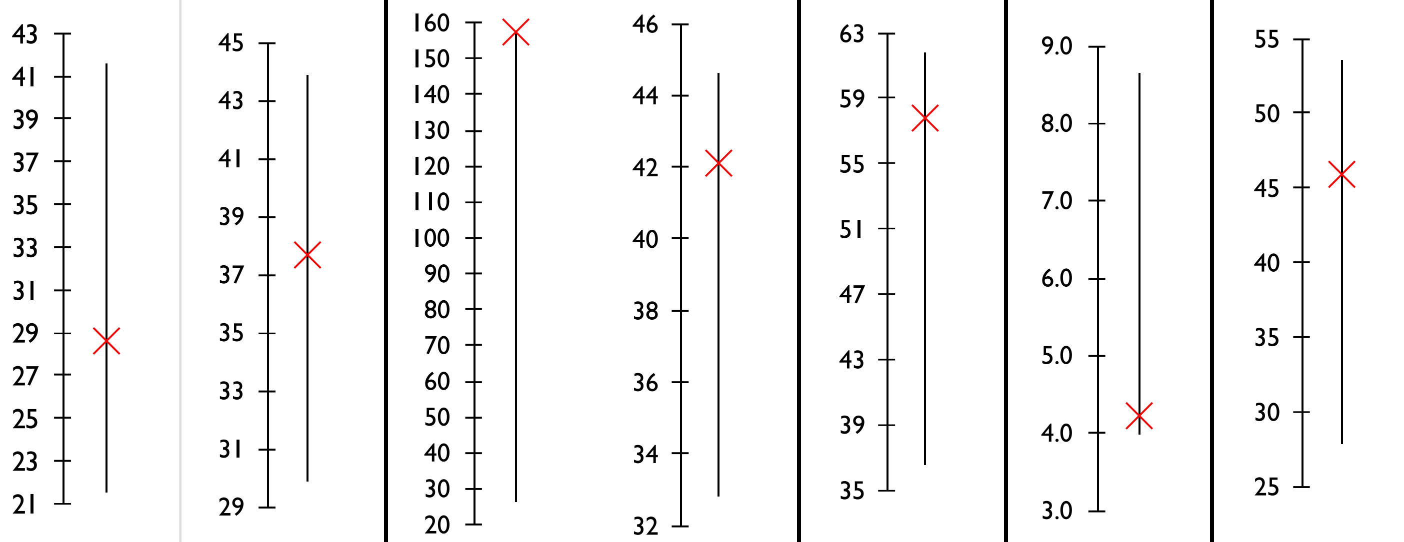


Wholesale price snapshot

Key market indicators: 16/09/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	16 Sep 16	28.65	37.68	157.73	42.13	57.75	4.23	45.94
Last week	9 Sep 16	24.90	36.95	35.90	41.10	56.25	4.12	49.41
Last month	19 Aug 16	28.30	40.17	37.35	42.85	57.00	4.80	50.74
Last year	18 Sep 15	41.00	42.68	43.05	42.53	51.00	8.21	49.71
Year-on-year % change		(30%)	(12%)	266%	(1%)	13%	(48%)	(8%)
Year high		41.60	43.89	157.73	44.63	61.75	8.64	53.61
Year low		21.50	29.88	26.56	32.84	36.55	3.98	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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