



Energy Wholesale Market Review

Week Ending 23rd September 2016



EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



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Headlines 23/09/2016

This week day-ahead baseload power dropped 74.5% to £40.3/MWh. Last week, on Friday 16 September, day-ahead power rocketed to £157.7/MWh, the highest price since March 2006. Consequently, the day-ahead clean spark spread (gas) dropped 93.2% to £8.8/MWh this week, while the day-ahead clean dark spread (coal) fell from last week's high of £120.95/MWh, to £2.4/MWh. Winter 16 power increased 3.3% to £47.3/MWh, following its gas counterpart higher. Day-ahead gas gained 18.7% to 34.0p/th, despite lower demand this week. Winter 16 gas moved 6.3% higher to 41.5p/th. On average Brent crude oil prices declined 0.4% this week to \$46.6/bl.

Prices reached a five-week low of \$45.5/bl on Tuesday 20 September, as a rise in US stockpiles added to the ongoing global oversupply which outweighed OPEC comments that a possible production freeze agreement could last longer than expected. On average API 2 coal prices gained 3.9% this week to \$59.1/t, with prices at a five-week high of \$60.0/t on Thursday 22 September. On average EU ETS carbon prices rose 7.2% to €4.3/t.

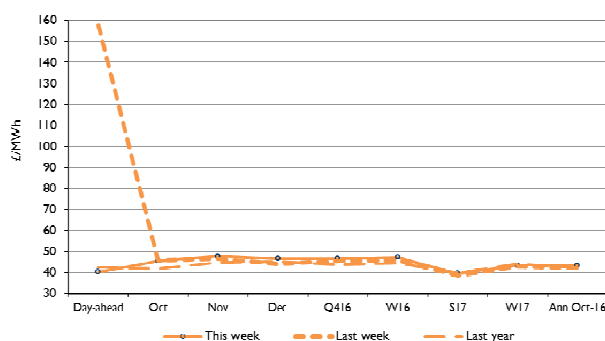
Baseload electricity

- Near-term baseload power contracts were mixed this week.
- Annual October 16 power went up 3.2% to £43.5/MWh this week.
- The contract is now 3.3% above its level last month (£42.1/MWh), and 2.7% higher than its value last year (£42.3/MWh).
- The day-ahead contract dropped 74.5% to £40.3/MWh. Last week, on Friday 16 September, day-ahead power rocketed to £157.7/MWh. This was the highest price since March 2006.
- The month-ahead contract (October) slipped 0.7% to £45.7/MWh. This was 14.7% higher than the same period last month (£39.9/MWh).

Annual October contract



Forward curve comparison



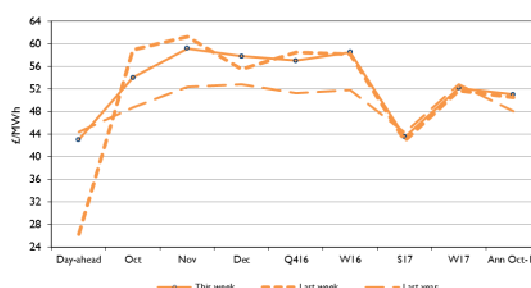
Peak electricity

- Annual October 16 peak power went up 1.0% this week to £51.0/MWh, with a rise in both the winter 16 and summer 17 contracts.
- The contract is now 3.7% above its level last month (£49.2/MWh), and 6.2% greater than its level last year (£48.1/MWh).
- Near-term peak power contracts were mixed this week.
- The day-ahead contract jumped 63.5% to £43.0/MWh.
- The month-ahead contract (October) slipped 8.3% to £54.0/MWh.

Annual October contract



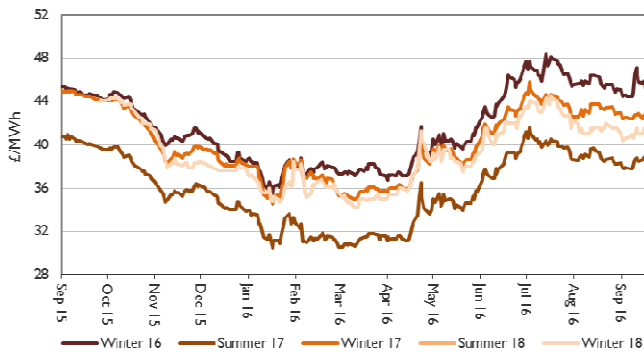
Forward curve comparison



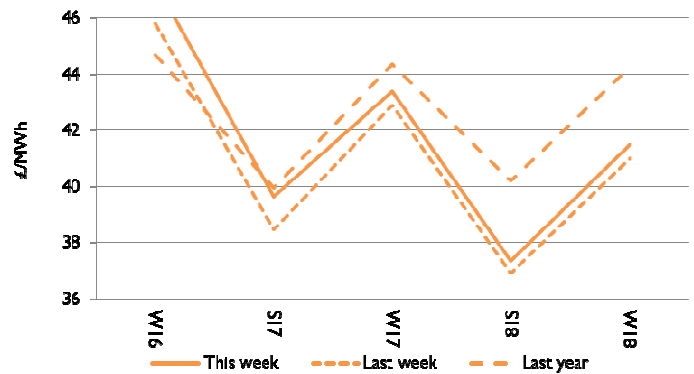


Seasonal power prices

Seasonal power contracts



Seasonal power curve



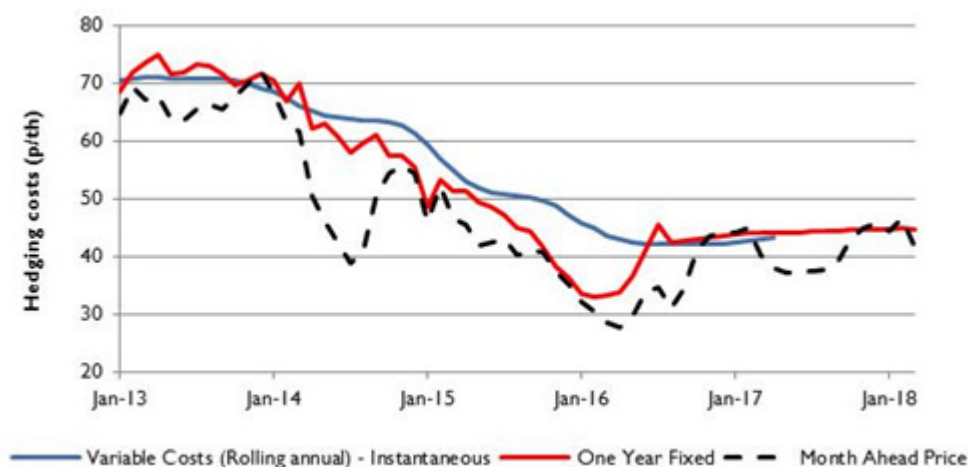
- All seasonal peak-power contracts moved higher, following their baseload power and gas counterparts upwards.
- Winter 16 peak power increased 0.5% to £58.5/MWh, while the summer 17 contract climbed 1.6% to £43.6/MWh.

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: 23/09/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	23 Sep 16	34.00	39.94	40.25	43.48	60.00	4.44	47.22
Last week	16 Sep 16	28.65	37.68	157.73	42.13	57.75	4.23	45.94
Last month	26 Aug 16	28.35	38.70	35.11	42.08	57.00	4.73	49.27
Last year	25 Sep 15	40.95	42.16	42.65	42.33	49.75	7.99	48.29
Year-on-year % change		(17%)	(5%)	(6%)	3%	21%	(44%)	(2%)
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
<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>		43	45	160	46	63	9.0	55
		41	43	150	44	59	8.0	50
		39	41	140	42	55	7.0	45
		37	39	130	40	51	6.0	40
		35	37	120	38	47	5.0	35
		33	35	110	36	43	4.0	30
		31	33	100	34	39	3.0	25
		29	31	90	32	35		
		27	29	80				
		25	27	70				
		23	25	60				
		21	23	50				
			21	40				
			19	30				
			17	20				



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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com

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