



Energy Wholesale Market Review

Week Ending 28th October 2016



edw technology

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 28/10/2016

This week all gas contracts and most power contracts experienced gains. Day-ahead gas went up 2.2% to 46.3p/th.

On Wednesday, the contract reached 48.0p/th, the highest price since April 2015, as gas demand for power generation and heating rose on Thursday. The day-ahead baseload power contract lost 15.6% to £76.0/MWh, however the price jumped day-on-day with negative surplus capacity margins and very low wind generation forecast for Monday. The month-ahead baseload contract gained 0.7% to £69.8/MWh, amid supply fears following news that the French nuclear regulator has asked for additional checks on five of EDF's reactors. Brent crude oil prices lost 1.0% this week to average \$51.2/bl. On Wednesday, Brent crude oil decreased to \$50.3/bl, a three-week low, as doubts grew over OPEC cuts. API 2 coal prices increased 4.9% this week to average \$70.6/t. On Monday API 2 coal reached \$71.0/t, the highest price since December 2014. EU ETS carbon prices increased 1.6% to average €5.8/t.

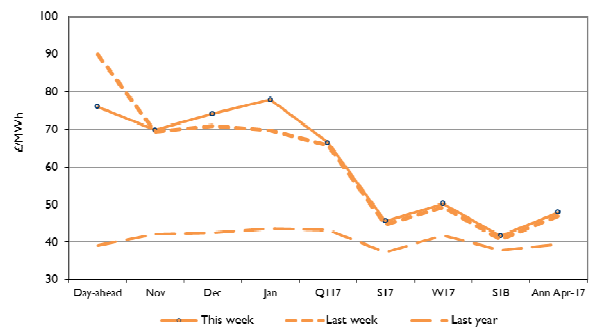
Baseload electricity

- Most near-term baseload power contracts experienced increases this week.
- Annual April 17 power went up 2.0% to £47.9/MWh this week.
- The contract is now 13.9% above its level last month (£42.1/MWh), and 21.3% higher than its value last year (£39.5/MWh).
- The only exception was the day-ahead contract which went down 15.6% to £76.0/MWh, however the price jumped day-on-day, from £52.5/MWh on Thursday, with negative surplus capacity margins and very low wind generation forecast for Monday.
- The month-ahead contract (November) gained 0.7% to £69.8/MWh.

Annual April contract



Forward curve comparison



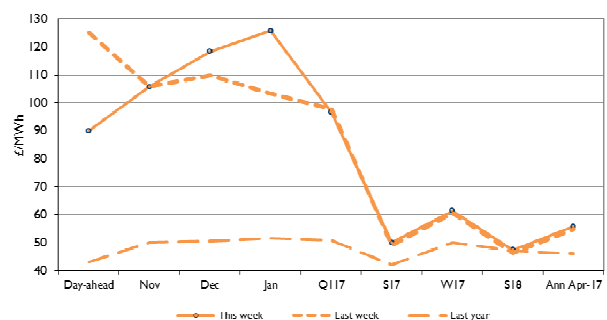
Peak electricity

- Annual April 17 peak power went up 1.5% this week to £55.8/MWh.
- The contract is now 15.2% above its level last month (£48.4/MWh), and 20.8% greater than its level last year (£46.2/MWh).
- Near-term peak power contracts experienced mixed movements this week.
- The month-ahead contract (November) remained at £105.8/MWh, as supply fears continued following news that the French nuclear regulator has asked for additional checks on five of EDF's reactors.

Annual April contract



Forward curve comparison



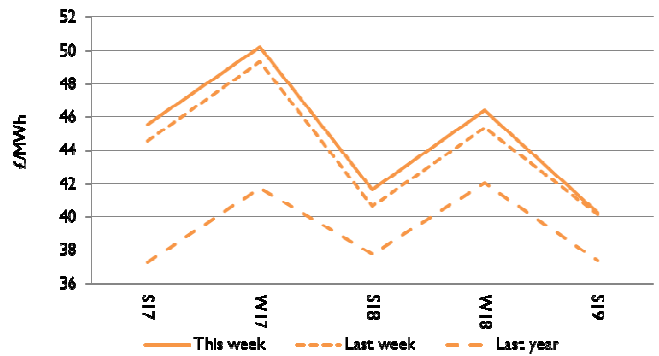


Seasonal power prices

Seasonal power contracts



Seasonal power curve



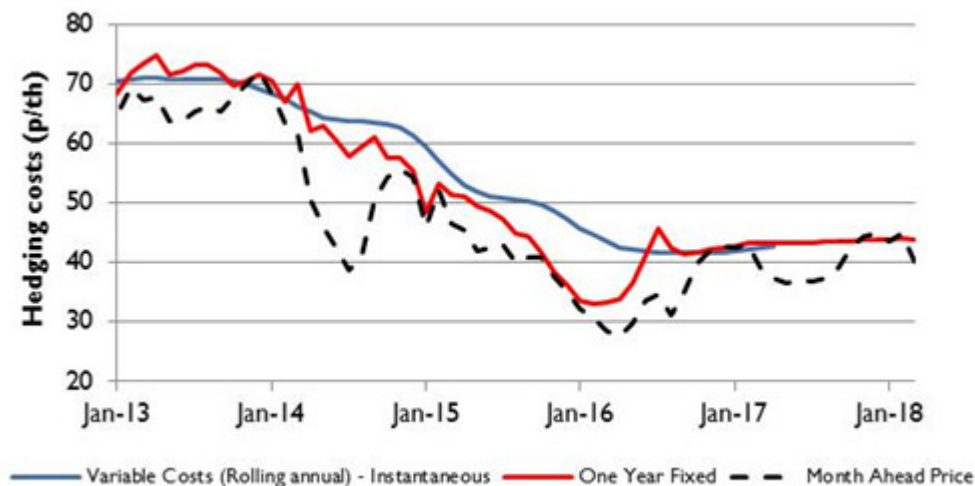
- All seasonal peak-power contracts experienced gains.
- Summer 17 peak power increased 1.8% to £50.2/MWh, while the winter 17 contract climbed 1.2% to £61.4/MWh.
- Summer 17 power rose 2.2% to £45.6/MWh, under the influence of higher gas prices. Winter 17 power climbed by 1.8% to £50.2/MWh.

Supplier hedging strategies

In September commodity markets experienced gains, whereas most gas and power contracts declined. The annual October 16 gas contract lost 4.3% to 38.2p/th. The annual October 16 baseload power contract fell 0.5% to average £42.2/MWh, following the gas market lower. Brent crude oil prices rose 0.8% to average \$47.1/bl in September, whilst API 2 coal went up 0.3% to average \$58.6/t.

The one-year fixed price provides a fixed hedging cost for one year from the month after the month in question, based on the forward curve. This measure is used to create a benchmark for fixed tariff offers put into the market by suppliers. The instantaneous price is representative of the hedging strategies of large suppliers, which typically purchase energy little and often to be consumed in a future period. Therefore, the instantaneous price (blue line) shows a 'longer-hedged' strategy of buying power up to the current date, whereas the red line shows a 'shorter-hedged' strategy for a 12-month period looking forwards.

Over the past two years it has been cheaper to use the shorter-hedged strategy as wholesale power prices have steadily declined. However since July the longer-hedged strategy has been





Wholesale price snapshot

Key market indicators: 28/10/2016

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	28 Oct 16	46.30	47.16	76.00	47.88	70.00	5.75	50.35
Last week	21 Oct 16	45.30	45.66	90.00	46.93	67.00	5.65	51.55
Last month	30 Sep 16	35.50	41.46	51.00	42.05	64.75	4.95	48.36
Last year	30 Oct 15	37.80	38.94	39.02	39.48	48.30	8.63	49.18
Year-on-year % change		22%	21%	95%	21%	45%	(33%)	2%
Year high		48.00	47.16	157.73	47.88	71.00	8.64	53.54
Year low		21.50	30.11	26.56	32.47	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 16 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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