Energy Wholesale Market Review

Week Ending 25th November 2016

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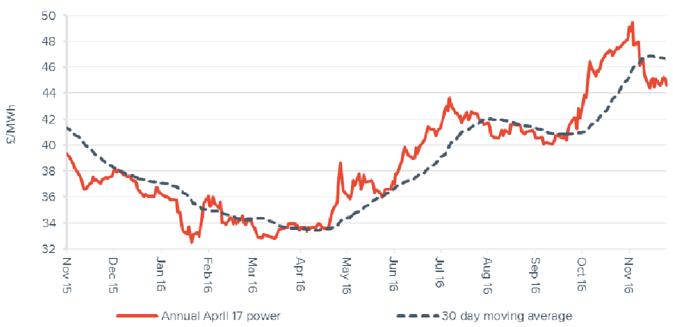
Headlines 25/11/2016

Nearly all baseload and peak power contracts experienced losses this week, amid increased confidence in the French market following the return of the St-Laurent nuclear reactor in France. Last week saw net imports from France, rather than exports. The majority of near-term gas contracts also moved lower. This was despite higher electricity and gas demand throughout the week; with lower than average temperatures and low wind generation levels. In contrast, most seasonal gas contracts moved higher. Importantly, all gas and power contracts remained considerably above the same period last year. The day-ahead baseload power contract went down 26.2% to £49.5/MWh. The month-ahead baseload contract (December) fell 18.3% to £62.1/MWh, however the price of the contract is still higher than usual due continued French nuclear supply fears. Day-ahead gas went up 0.5% to 47.5p/th, with higher demand and temperatures below the seasonal norm. The majority of seasonal gas contracts experienced gains, following oil prices higher. Brent crude oil prices gained 4.3% to $48.5/bl.

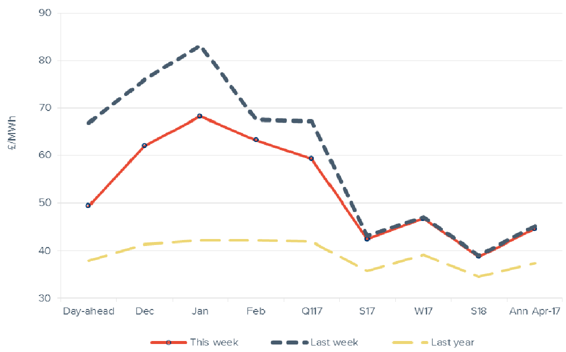
Baseload electricity

- All near-term baseload power contracts experienced losses this week, despite higher power demand levels.
- Annual April 17 power went down 1.1% to £44.6/MWh this week.
- The contract is now 6.8% below its level last month (£47.9/MWh), but 19.2% higher than its value last year (£37.4/MWh).
- The day-ahead contract went down 26.2% to £49.5/MWh.
- The month-ahead contract (December) fell 18.3% to £62.1/MWh. The contract was 16.2% lower than the same period last month (£74.1/MWh).

Annual April contract



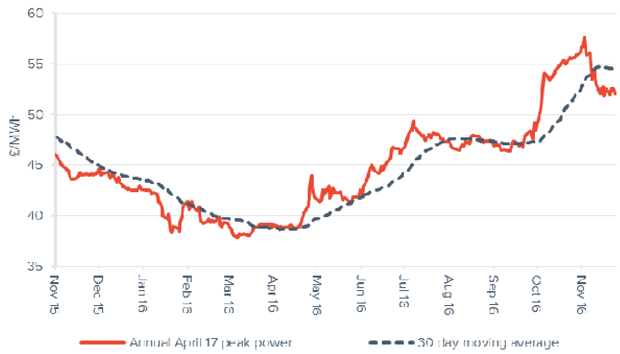
Forward curve comparison



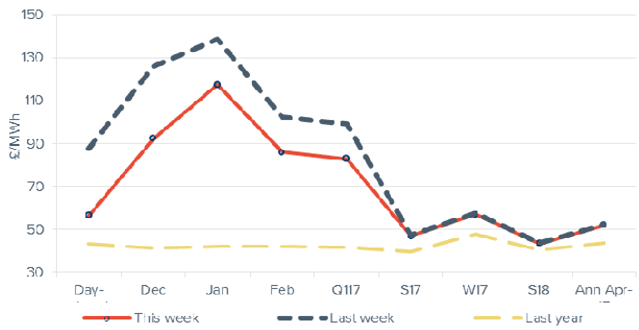
Peak electricity

- Annual April 17 peak power slipped 1.0% this week to £52.0/MWh.
- The contract is now 6.7% under its level last month (£55.8/MWh), but 18.1% above the same time last year (£44.0/MWh).
- All near-term peak power contracts experienced losses this week.
- The month-ahead contract (December) was down 26.6% to £92.5 /MWh.

Annual April contract



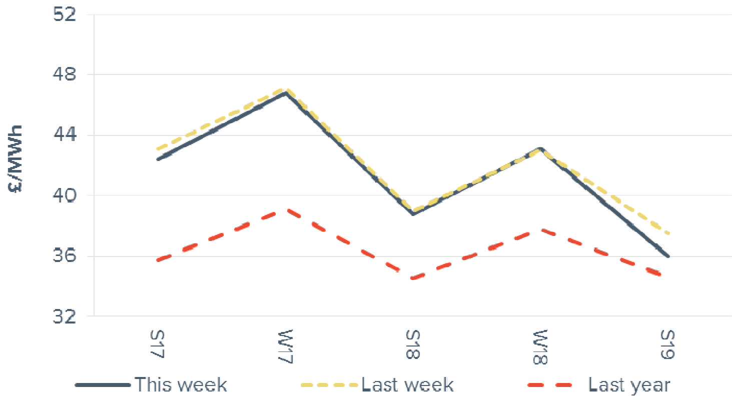
Forward curve comparison



Seasonal power prices

Seasonal power contracts

Seasonal power curve

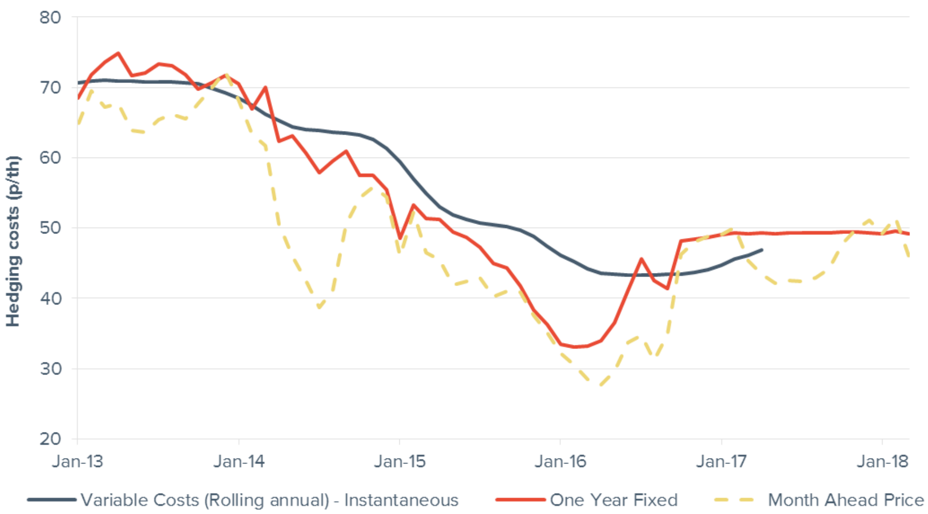


- Most seasonal peak-power contracts also experienced losses.
- Summer 17 peak power decreased 1.1% to £46.9/MWh, while the winter 17 contract went down 0.9% to £57.1/MWh.
- Summer 17 baseload power fell by 1.6% to £42.4/MWh. In contrast, winter 18 baseload power climbed 0.2% to £43.1/MWh.

Supplier hedging strategies

In October, commodity and power markets experienced gains. The annual April 17 gas contract climbed 13.9% to average 45.3p/th. The annual April 17 baseload power contract rose 13.7% to average £46.5/MWh, following the gas market higher. Brent crude oil prices lifted 9.5% to average $51.6/bl, whilst API 2 coal went up 13.1% to average $66.9/t.

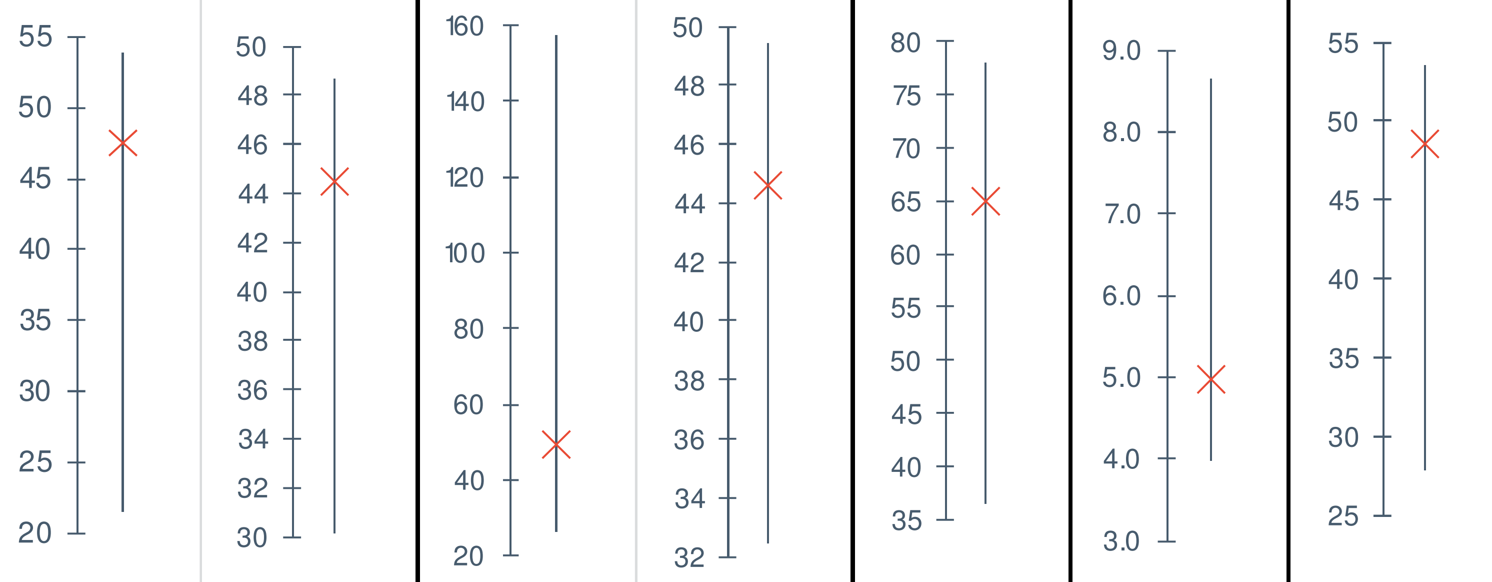
The one-year fixed price shown below (red line) provides a fixed hedging cost for one year from the month after the month in question, based on the forward curve. This measure is used to create a benchmark for fixed tariff offers put into the market by suppliers. The instantaneous price (blue line) is 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 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 2016 the longer-hedged strategy has been cheaper.



Key market indicators: 25/11/2016

		Gas (p/th)		Electricity (£/MWh)		Coal ($/t)	Carbon (€/t)	Brent crude ($/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	25 Nov 16	47.50	44.44	49.45	44.62	65.00	4.98	48.48
Last week	18 Nov 16	47.25	44.21	67.00	45.13	64.00	5.71	46.49
Last month	28 Oct 16	46.30	47.16	76.00	47.88	70.00	5.75	50.35
Last year	27 Nov 15	36.80	36.56	38.00	37.43	46.65	8.64	45.22
Year-on-year %change		29.1%	21.6%	30.1%	19.2%	39.3%	-42.4%	7.2%
Year high		53.80	48.63	157.73	49.45	78.00	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.

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