

EDW Energy Wholesale Market Review

Week Ending 22nd June 2012





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Headlines

The grim economic picture has driven down long-term prices this week, while shorter-term contracts remained fairly stable as a result of supply disruption on the gas interconnectors. Annual gas prices are now 14% lower than last year, while annual power prices fell to a two-year low and are 19% down year-on-year. Clean spark spreads rose 7% to £3.7/MWh as gas prices fell faster than power. In contrast rising carbon prices caused a 1% fall in dark spreads. Dark spreads are now at a £17.3/MWh premium to spark spreads. The price of oil collapsed this week, as the global demand outlook looked uncertain. Brent crude oil tumbled 9% to \$89.1/bl, a 19-month low. Despite the falling market, carbon prices have risen as a result of speculation about possible EU interventions. Annual EU ETS allowances rose 9.3% to a weekly average of €7.4/t; a seven-week high.

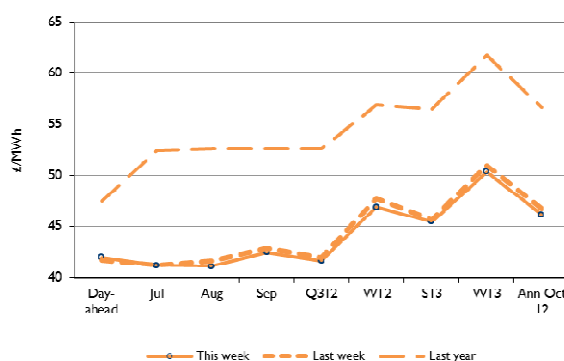
Baseload electricity

- The annual October 2012 contract slipped 1.2% to a two-year low of £46.2/MWh.
- Winter 12 power dropped 1.8% as a result of falling commodity prices.
- Shorter-term contracts saw less movement as a result of gas supply issues.
- Month-ahead power remained at £41.3/MWh and day-ahead power was up 0.6% to £42.0/MWh.

Annual October contract



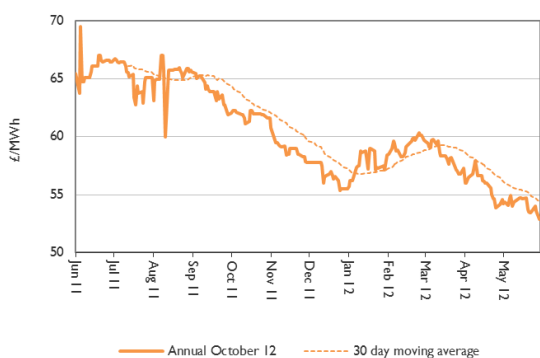
Forward curve comparison



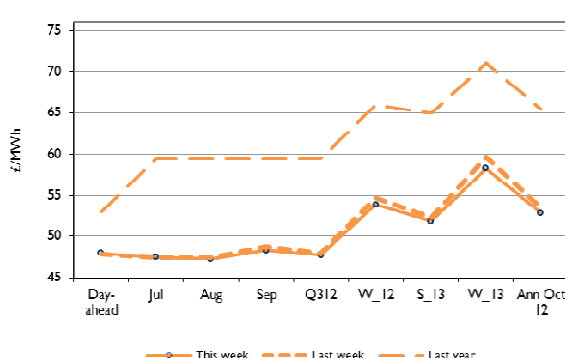
Peak electricity

- Seasonal peak power contracts dropped across the board this week.
- The annual October 2012 peak power contract decreased 1.2% to £52.9/MWh.
- Monthly contracts saw little movement. Month-ahead peak power remained at £47.5/MWh.
- Day-ahead peak power increased 0.3% to £48.0/MWh.

Annual October contract



Forward curve comparison



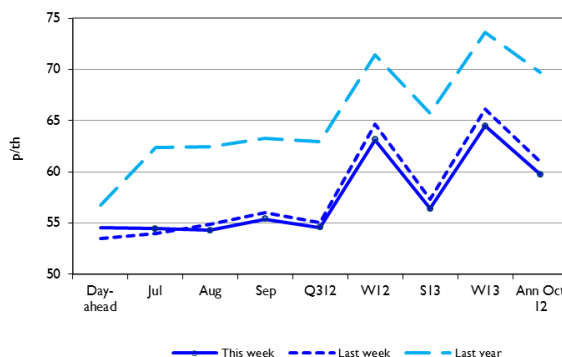


Gas

Annual October contract



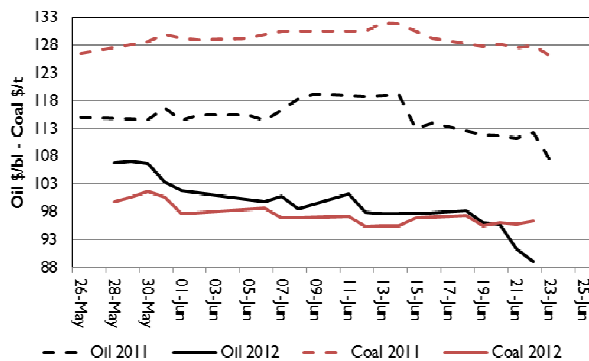
Forward curve comparison



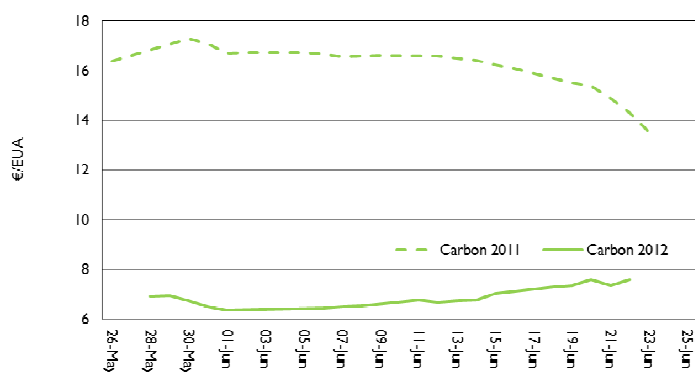
- The annual October 2012 gas contract decreased 2% to a 16-month low of 59.8p/th.
- Seasonal contracts were dragged down by the falling oil price. Winter 2012 gas dropped 2.4% to 63.2p/th.
- Monthly contracts were supported by supply issues; July gas was up 0.8% to 54.5p/th.
- The day-ahead gas price increased 2.1% to 54.6p/th as a result of the unexpected outage at the Bacton plant and the Norwegian pipeline.

Oil, coal and carbon

Month-ahead Brent crude and annual API 2 coal



Annual EU ETS carbon

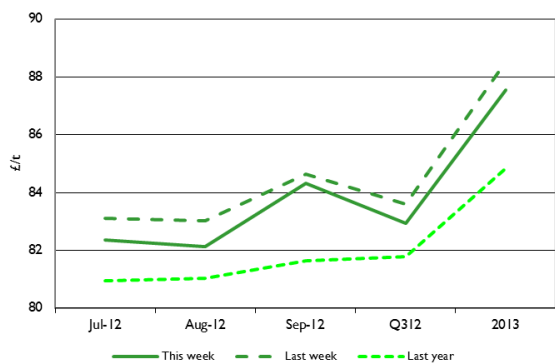


- Oil prices dropped throughout the week as confidence in global economic growth faltered.
- Month-ahead Brent crude oil fell 9% to reach a 19-month low of \$89.1/bl on 22 June.
- Coal prices were more resilient despite the falling market. Annual API coal was up 0.1% to a weekly average of \$96.2/t.
- Carbon prices rose 9.3%, despite falls in the wider market, as traders had concerns about EU moves to set aside allowances.
- The 2012 EU ETS contract rose to a weekly average of €7.4/t; it peaked at €7.6/t on 20 June.
- Annual EU ETS allowances are 50% cheaper compared to the same time last year. This time last year carbon price began to plunge as a result of over-supply.



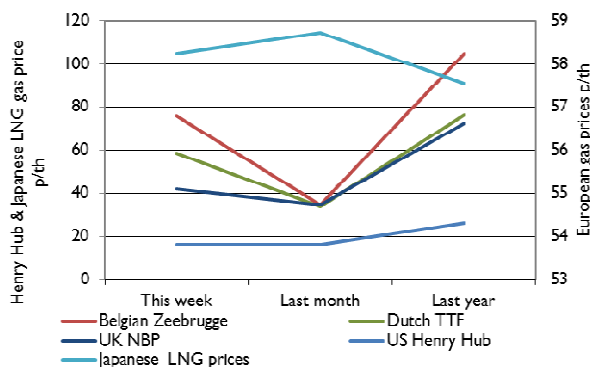
Biomass and spot gas hub prices

Wood pellets



Sourced from APX ENDEX wood pellets index

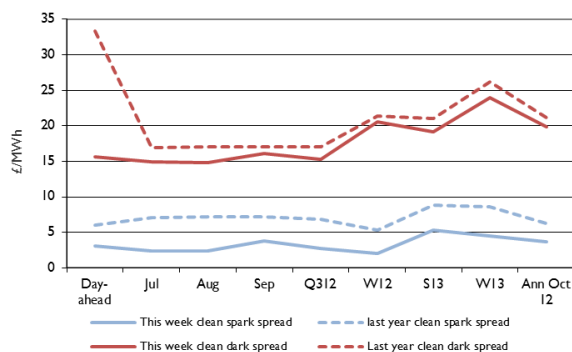
Spot gas hub prices



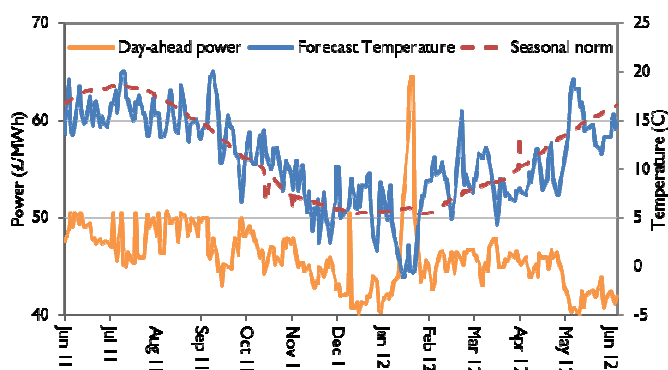
- Annual biomass contracts dropped this week. Biomass prices for 2013 lost 1.1% to £87.6/t. Prices are now around 3% higher than last year.
- Prices were at five-month highs two weeks ago but have now dropped to levels seen in mid-May.
- The first unit at RWE npower's Tilbury biomass conversion plant restarted on 21 June after a fire broke out at the plant in February. The remaining units are expected to return in July.
- EU spot gas prices are important as an indicator of the most attractive market for marginal gas imports.
- UK prices are 3% less expensive than Belgium and 1.5% less expensive than Dutch prices.
- Asian LNG prices dropped from recent highs as supply levels increased, but remain 48% higher than the UK.
- US gas prices are low as a result of unconventional gas supplies. US gas prices are 72% below UK gas prices.

Spreads, temperature and spot power prices

Spark spreads



Temperature and day-ahead power

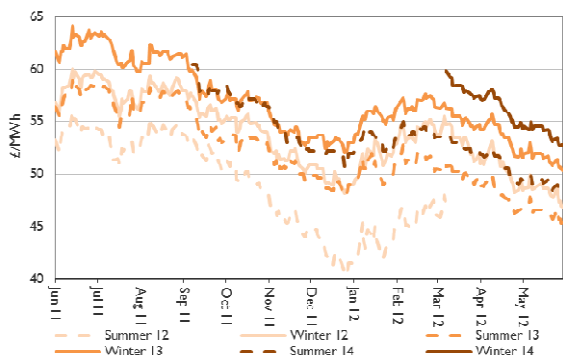


- Seasonal clean spark spreads dropped this week as gas prices fell faster than power prices. The annual October 12 spark spread rose 7% to £3.7/MWh. Spreads are now 41% lower than last year's levels.
- Clean dark spreads fell by 1% this week as carbon prices rose. Annual October 12 clean dark spreads are at a £17.3/MWh premium to clean spark spreads.
- This week the weather remained below seasonal norms. The average daily temperature rose to 15.7°C on 20 June, which was almost 1°C lower than the seasonal norm.
- Day-ahead power was driven by gas supply issues this week and rose 0.6% to £42.0/MWh.



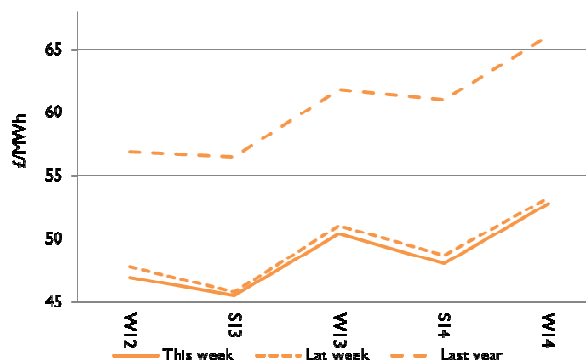
Seasonal power prices

Seasonal power contracts



- Winter contracts have fallen 1.3%. Winter 12 fell 1.8% this week to £46.9/MWh.
- Summer contracts have fallen 0.9% on average. Summer 13 dropped 0.5% this week to £45.5/MWh.

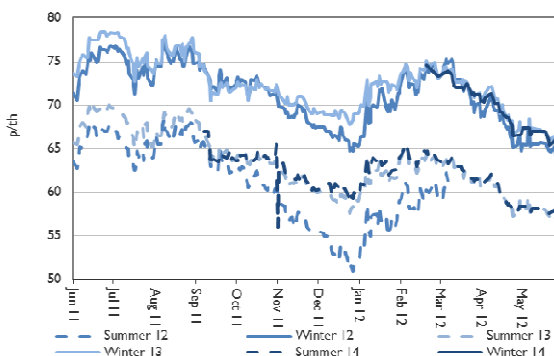
Seasonal power curve



- The winter 12 power contract is now 3.6% below last month's level and is now at a 26-month low.
- Winter 12 power is now 17.6% below the price in 2011 of £56.9/MWh.

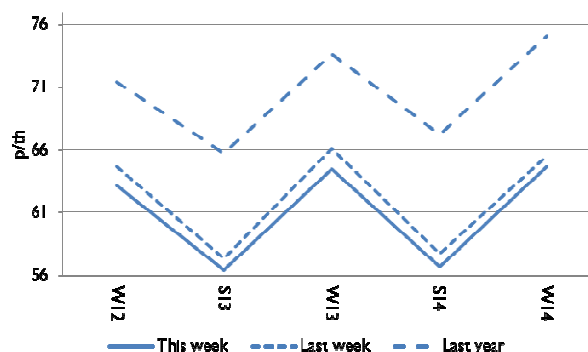
Seasonal gas prices

Seasonal gas contracts



- Winter gas contracts have fallen 2%. Winter 12 fell 2.4% this week to 63.2p/tp
- Summer contracts have fallen 1.7% on average. Summer 13 dropped 1.6% this week to 56.4p/tp.

Seasonal gas curve

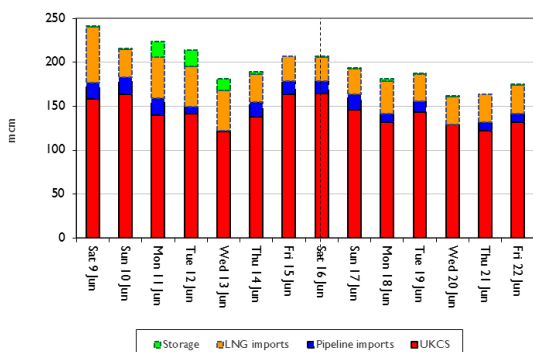


- The winter 12 gas contract is now 3.6% below last month's level and it fell to a 16-month low during the week.
- Winter 12 gas is now 11.6% below the 2011 figure of 71.4p/tp.

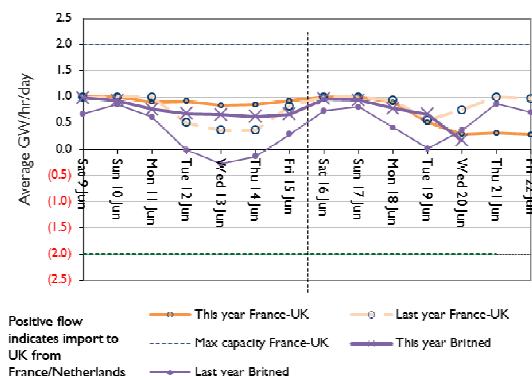


Imports, exports and gas storage

Gas



Electricity

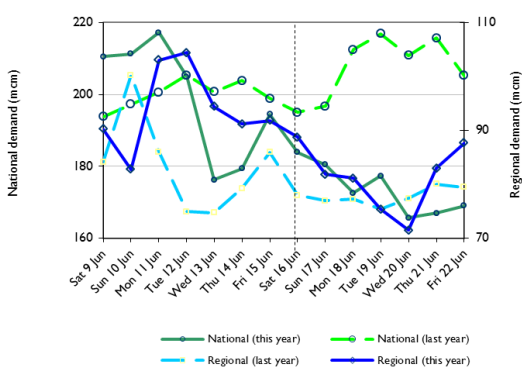


- UK gas flows were lower this week as a result of falling demand. Gas supply peaked at 186.9mcm on 18 June.
- The July gas contract at Zeebrugge closed the week 0.7p/th higher than UK levels.
- Storage is 76% full as gas injections have continued throughout June.

- The UK imported power through the UK-France and BritNed interconnectors all last week.
- Dutch month-ahead power closed 13% below UK prices at €44.7/MWh (£36.1/MWh).
- French month-ahead power closed 25% below UK prices at €38.3/MWh (£30.9/MWh).

Demand

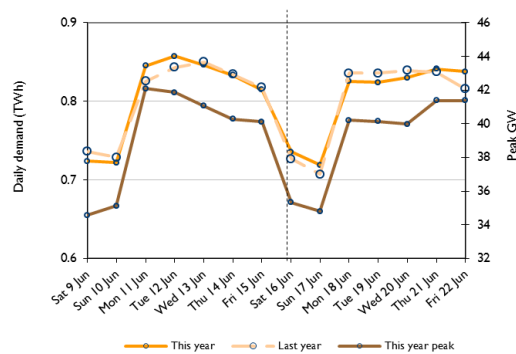
Gas



Sourced from National Grid data item explorer

- Gas demand was lower week-on-week. Demand on the national system decreased 12.8%, and the regional system dropped 13.5% compared to last week.
- Summer-to-date (from 1 April) demand was down 8.4% on the national system but 29.3% higher on the regional system compared to summer 2011.
- The above two statistics indicate that gas demand for power generation is down year-on-year but consumption by households and businesses has risen.

Electricity



- Power demand was down 0.5% on the previous week, with peak demand of 41.3GW on 21 June.
- Summer-to-date (from 1 April) electricity demand was 2.6% higher than the same period last summer.

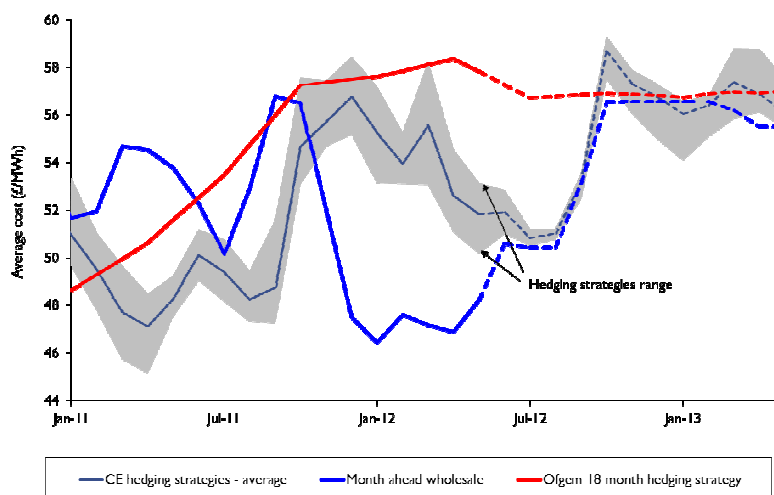


Supplier hedging strategies

Prices across May slipped compared to April as oil prices eased and generators switched to cheaper coal-fired plant as a result of a glut of cheap coal. Average month-ahead wholesale gas prices for June have decreased by 3.4% compared with the previous month's figures, while month-ahead electricity prices have dropped 4%. There has been a marginal drop in suppliers' cost-based notional hedging strategies as the relatively high-priced electricity and gas purchases from late 2011 have become replaced by less expensive volumes. After the summer prices are expected to rise over winter 2012-13 as the relatively high annual gas and electricity contracts are delivered.

Although our and Ofgem's assessments show a similar overall trend, our incorporation of nearer-term prices makes our assessments more volatile than Ofgem's smoothed quarterly and seasonally-based approach.

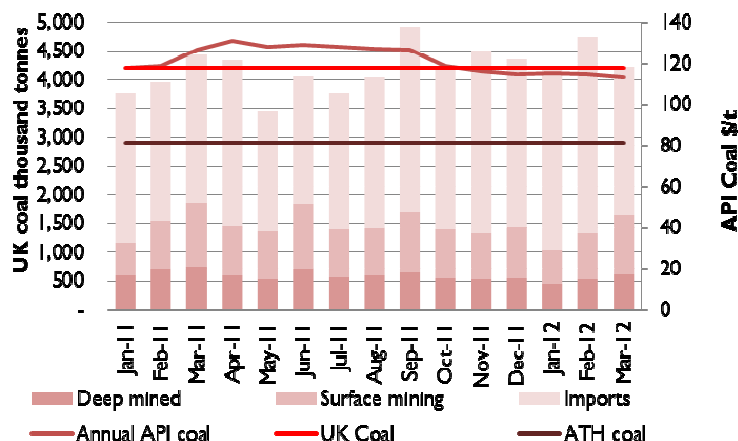
Electricity



Coal imports and production

Coal production in the UK in March 2012 (the latest figures available) was up 24% compared to the previous month, with deep mining increasing 15% and surface mining rising 30%. Month-on-month coal imports were down 24% compared to the previous month. At the end of the year coal stations in the UK were burning primarily imported coal. The average realised price for UK coal during 2011 was \$117.3/t and the averaged realised coal price for the ATH group, who operate in Scotland, was \$81.5/t last year. European coal prices have been affected by an over-supplied market as US and Columbian coal imports have flooded the EU, which has caused generators to rely on coal plants for baseload power. Gas-fired electricity generation has reduced 32.2%, to the lowest level since 1998. In contrast coal-fired electricity generation had increased 20.2%. Coal-fired electricity generation had a 40% share of total generation volumes in May, its highest level in six years.

Coal imports and prices





Wholesale price snapshot

Key market indicators:

22/06/2012

	Gas (p/th)		Electricity (£/MWh)		Wood Pellets (€/t)		Coal	Carbon 2011	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	Month-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 22 Jun 12	54.60	59.78	42.00	46.20	82.37	87.56	96.40	7.58	89.14
Last week 15 Jun 12	53.50	61.00	41.75	46.75	83.12	88.53	97.00	7.05	97.70
Last month 25 May 12	53.40	61.85	40.75	47.75	81.63	87.20	97.65	6.80	106.55
Last year 24 Jun 11	56.75	69.75	47.50	56.70	80.95	84.83	126.15	13.55	107.26
Year-on-year % change	(4%)	(14%)	(12%)	(19%)	1.8%	3.2%	(24%)	(44%)	(17%)
Year high	100.00	73.05	64.50	58.03	83.78	89.43	130.25	13.70	125.95
Year low	45.50	62.95	40.00	44.38	79.00	83.59	95.35	6.15	89.14
<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>									



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 11 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 70 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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