

Energy Wholesale Market Review

Week Ending 6th December 2013



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Contents

| | |
|--|----------|
| Baseload electricity..... | 3 |
| Peak electricity..... | 3 |
| Seasonal power prices | 4 |
| Supplier hedging strategies | 4 |
| Wholesale price snapshot | 5 |



Headlines

The rising price of carbon and oil pushed annual power prices up to eight-month highs this week. Annual April 14 baseload power climbed 1.1% to an eight-month high of £53.3/MWh while its gas counterpart increased 1.2% to an eight-month high of 68.5p/th. Day-ahead prices were down as a result of windy conditions and a comfortably supplied gas system, day-ahead baseload power fell 3.4% to £54.1/MWh. The annual clean spark spread dipped 15 to £2.3/MWh as gas increased more than power. The annual clean dark spread rose 1.8% to £21.5/MWh as power rose and coal remained flat. The dark spread is now at a £19.2/MWh premium to the clean spark spread. Month-ahead Brent crude oil rose 0.9% to a weekly average of \$111.5/bl on the back of concerns about severe weather causing disruption to oil supplies in Northern Europe. Carbon prices were pushed up to a three-week high on Friday as UK officials said that backloading proposals could take effect by April or May next year.

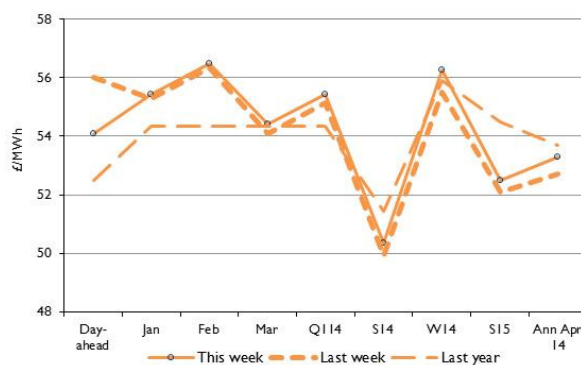
Baseload electricity

- Baseload power contracts rose with gas, oil and carbon this week. Summer 14 power increased 0.9% to £50.4/MWh.
- Annual April 14 baseload climbed 1.1% to an eight-month high of £53.3/MWh and is now 2.5% higher than last month's value of £52.0/MWh.
- Day-ahead baseload power decreased 3.4% to £54.1/MWh compared to last week and is now 12.5% higher than last month.
- The contract fell as a result of windy conditions, pushing more expensive gas fired power stations off the system.

Annual April contract



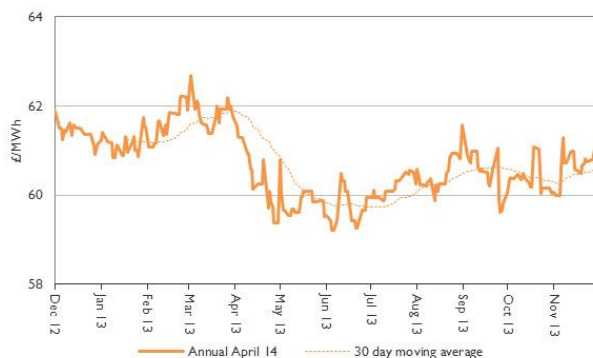
Forward curve comparison



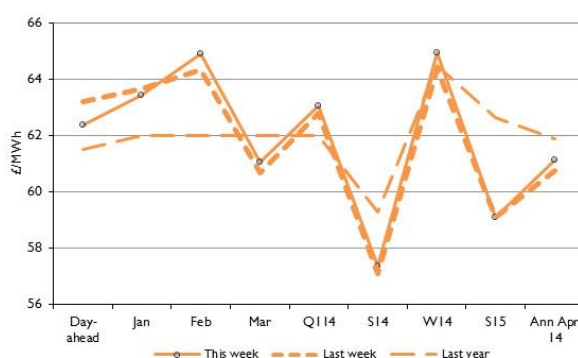
Peak electricity

- Movement in the peak power market was subdued compared to the gas and baseload power markets.
- The annual April 2014 peak power contract increased 0.7% to £61.2/MWh.
- Day-ahead peak electricity dropped 1.3% to £62.4/MWh.
- The contract is now 13.5% higher than last month and 1% above last year's value.

Annual April contract



Forward curve comparison





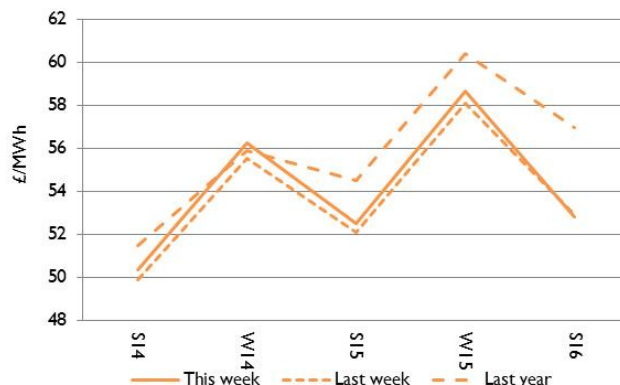
Seasonal power prices

Seasonal power contracts



- On average, winter power contracts rose 1.1% over the week. Winter 14 power climbed 1.4% to £56.3/MWh.
- Summer power contracts increased 0.5% on average over the week. Summer 14 power rose 0.9% to £50.4/MWh.
- The summer 14 power contract increased 2.4% from last month's level of £49.2/MWh.
- The power contract is now lower than the price in 2012, falling 2.1% from £51.5/MWh.

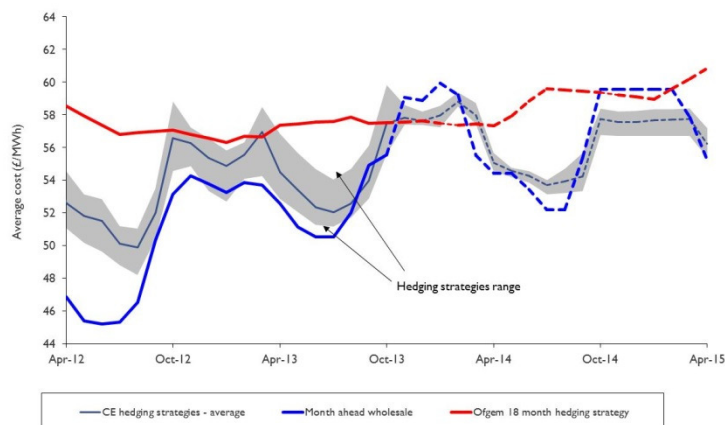
Seasonal power curve



Supplier hedging strategies

The annual April 14 gas contract dropped 0.9% in October to an average of 66.58p/th and the annual April 14 baseload power contract followed dipping 0.7% to £52.1/MWh. Higher priced winter contracts are feeding into retail prices and electricity and gas prices for this winter are expected to be 5% higher than last year. On 10 October SSE was the first of the Big Six to increase its tariffs. The company lifted both its gas and electricity tariffs by 8.2% on average. British Gas followed on 17 October with an average increase of 9.2%. The company cited network charges, wholesale energy prices and environmental and social obligations as reasons for the change. On 21 October, RWE npower raised its prices by 10.4%, Scottish Power subsequently announced an average increase of 8.5% in gas prices and 9% in electricity on 24 October and EDF announced a price rise of 3.9% on 12th November. E.ON was the last of the Big Six to announce a dual fuel price rise of 3.7% on 6 December.

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





Wholesale price snapshot

Key market indicators:

06/12/2013

| | Gas (p/th) | | Electricity (£/MWh) | | Coal | Carbon | Brent crude |
|-----------------------|------------|------------|---------------------|------------|--------|--------|-------------|
| | Day-ahead | Year-ahead | Day-ahead | Year-ahead | (\$/t) | (€/t) | (\$/bl) |
| This week 6 Dec 13 | 70.90 | 68.45 | 54.10 | 53.30 | 82.00 | 4.64 | 111.30 |
| Last week 29 Nov 13 | 71.50 | 67.63 | 56.00 | 52.70 | 81.85 | 4.54 | 110.88 |
| Last month 8 Nov 13 | 65.25 | 66.25 | 48.10 | 52.00 | 82.80 | 4.75 | 103.40 |
| Last year 7 Dec 12 | 69.50 | 67.13 | 52.50 | 53.68 | 95.50 | 6.37 | 107.14 |
| Year-on-year % change | 2% | 2% | 3% | (1%) | (14%) | (27%) | 4% |
| Year high | 118.00 | 71.15 | 86.00 | 54.25 | 100.70 | 7.38 | 118.81 |
| Year low | 54.75 | 65.23 | 40.00 | 50.67 | 80.70 | 2.70 | 97.70 |

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| <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 12 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 80 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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