

Energy Wholesale Market Review

Week Ending 3rd January 2014



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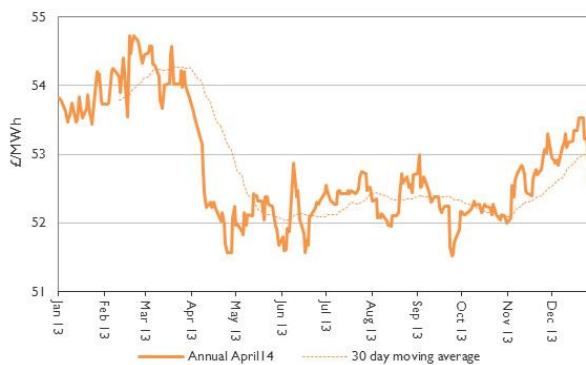
Headlines

Lower gas prices pulled down power contracts this week. Annual April 14 baseload power dropped 1.7% to £52.6/MWh while its gas counterpart decreased 1.9% to 67.2p/th. Day-ahead power prices also fell, pulled down by lower gas, an increase in coal generation and rising wind forecast output towards the end of the week. Day-ahead baseload power dropped 6.3% to an average of £45.0/MWh. The annual clean spark spread rose 5% to £2.4/MWh as gas fell faster than power. The annual clean dark spread fell 2.9% to £20.9/MWh due to decreases in power while coal remained stable. Month-ahead Brent crude oil dropped 0.5% to a weekly average of \$111.0/bl on expectations that oil production in Libya may resume. Predictions of increasing US oil stockpiles supported the fall. Low trading activity following the holiday period pulled carbon prices down by 0.3% to a weekly average of €4.9/t.

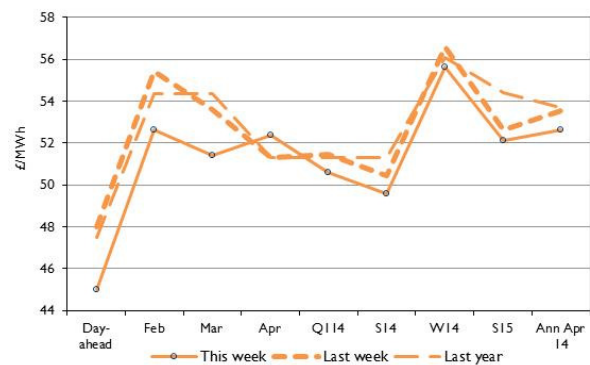
Baseload electricity

- This week, long-term baseload power contracts fell on the back of lower gas prices. Summer 14 power dropped 1.7% to £49.6/MWh.
- Annual April 14 baseload also decreased 1.7% to £52.6/MWh and is now 1.3% lower than last month's value of £52.6/MWh.
- Day-ahead baseload power decreased 6.3% to £45.0/MWh compared to last week. It is now 16.8% lower than last month.
- A high level relatively less expensive coal generation pulled day-ahead prices down, while rising power exports from France increased supply.

Annual April contract



Forward curve comparison



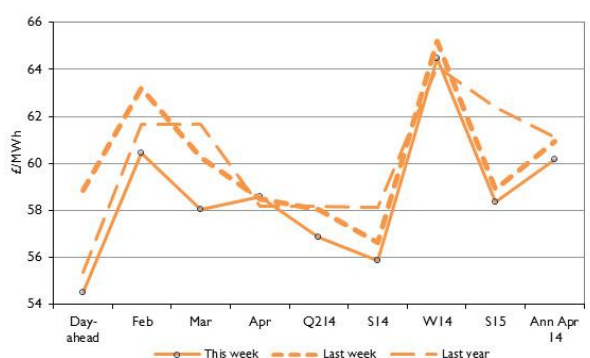
Peak electricity

- Peak power followed the decrease in gas, as weather related demand dropped on the back of higher temperatures.
- The annual April 2014 peak power contract decreased 1.3% to £60.2/MWh.
- Day-ahead peak electricity dropped 7.4% to £54.5/MWh.
- The day-ahead peak contract is 12.7% lower than last month and is 2% lower than last year's value.

Annual April contract



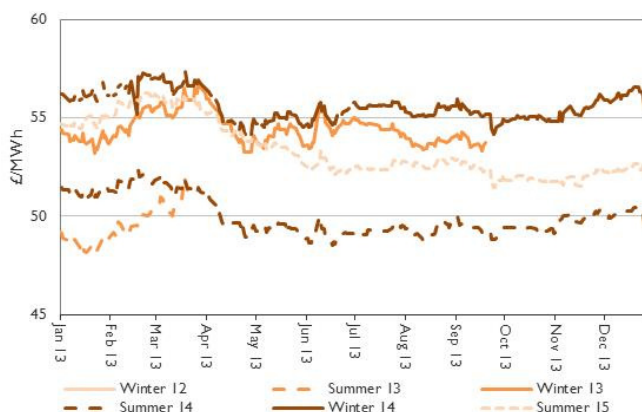
Forward curve comparison





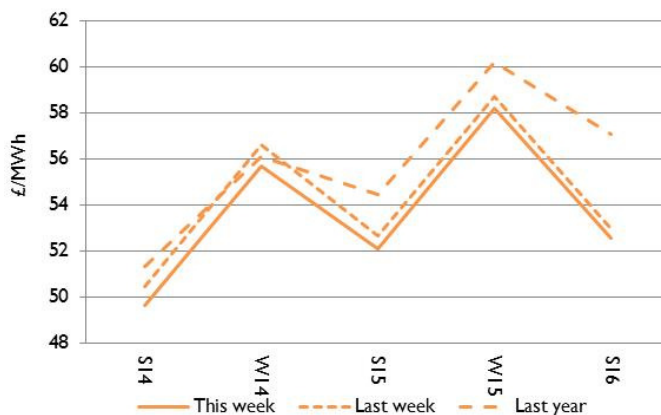
Seasonal power prices

Seasonal power contracts



- On average, winter power contracts fell 1.3% over the week. Winter 14 power dropped 1.7% to £55.7/MWh.
- Summer power contracts decreased 1.2% on average over the week. Summer 14 power fell 1.7% to £49.6/MWh.

Seasonal power curve

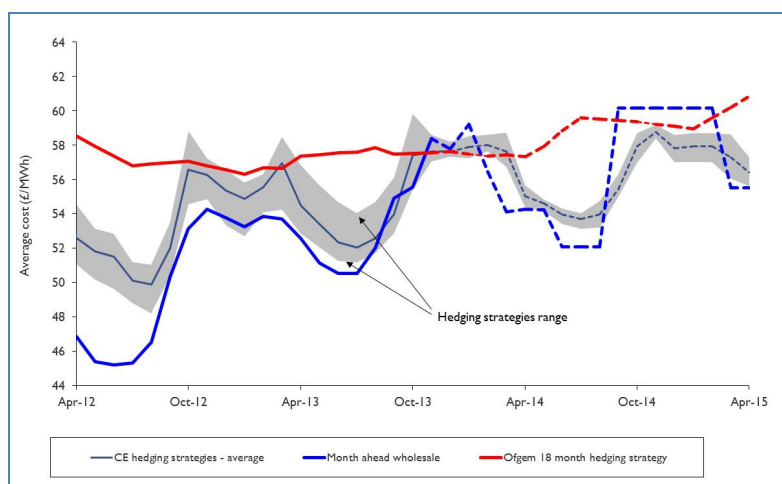


- The summer 14 power contract dipped 1.5% from last month's level of £50.4/MWh.
- The summer 14 power contract is now lower than the price in 2012, falling 3.3% from £51.3/MWh.

Supplier hedging strategies

The annual April 14 gas contract climbed 0.9% in November to an average of 67.1p/th and the annual April 14 baseload power contract followed by rose 0.6% to £52.4/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 based approach.





Wholesale price snapshot

Key market indicators:

03/01/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	3 Jan 14	65.25	67.23	45.00	52.63	81.70	4.82	108.52
Last week	27 Dec 13	69.25	68.55	48.00	53.53	82.30	5.05	111.78
Last month	6 Dec 13	70.90	68.45	54.10	53.30	82.00	4.64	111.30
Last year	4 Jan 13	63.40	67.13	47.50	53.70	93.16	6.37	111.50
Year-on-year % change		3%	0%	(5%)	(2%)	(12%)	(24%)	(3%)
Year high		118.00	71.15	86.00	54.25	100.70	6.49	118.81
Year low		54.75	65.93	41.40	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 13 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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