Energy Wholesale Market Review

Week Ending 24th January 2014

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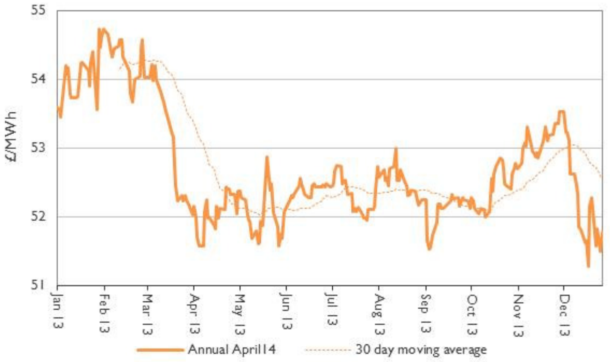
Headlines

Long-term power prices fell this week following decreases in their gas equivalents. Annual April 14 baseload power dropped 1% to £51.8/MWh as its gas counterpart fell 1.2% to 66.2p/th. Day-ahead baseload power decreased 6.9% to £47.2/MWh as wind output increased and 1GW of nuclear capacity came back online over the week. As temperatures fluctuated across the week, day-ahead gas remained unchanged at 66.0p/th. The annual April 14 clean spark spread rose 7% to £2.3/MWh as gas prices fell faster than power. The annual April 14 clean dark spread rose 2% to £19.4/MWh following decreases in coal. Month-ahead Brent crude oil rose 0.5% to a weekly average of $107.1/bl. Brent crude prices reached a three-week high of $107.9/bl on Thursday as increased global demand forecasts combined with security of supply concerns in South Sudan.

Baseload electricity

- This week, long-term baseload power contracts fell on the back of lower gas and coal and prices. Summer 14 power dropped 0.2% to £48.8/MWh.
- Annual April 14 baseload also decreased 1% to £51.8/MWh and is now 3.3% lower than last month's value of £53.5/MWh.
- Day-ahead baseload power dropped 6.9% to £47.2/MWh compared to last week. It is now 1.7% lower than last month.
- The contract fell with higher wind output and the return of 1GW of nuclear capacity to the system over the course of the week.

Annual April contract

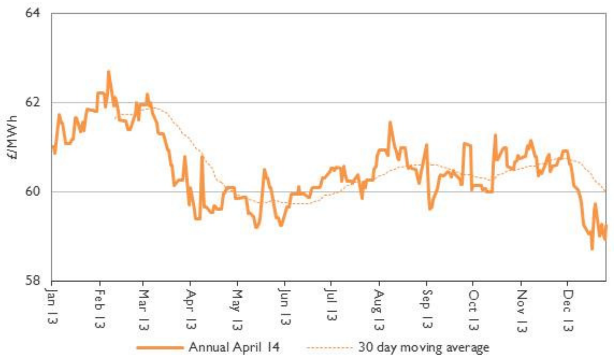


Forward curve comparison

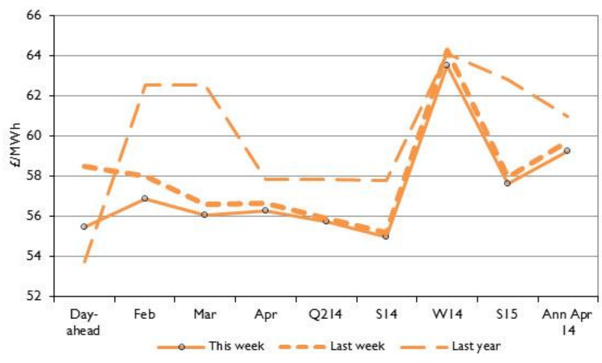
Peak electricity

- Long-term peak power contracts decreased this week, as demand fell.
- The annual April 2014 peak power contract fell 0.8% to £59.3/MWh.
- Day-ahead peak electricity decreased 5.1% to £55.5/MWh.
- The day-ahead peak contract is 5.7% lower than last month but 3% higher than last year's value.

Annual April contract

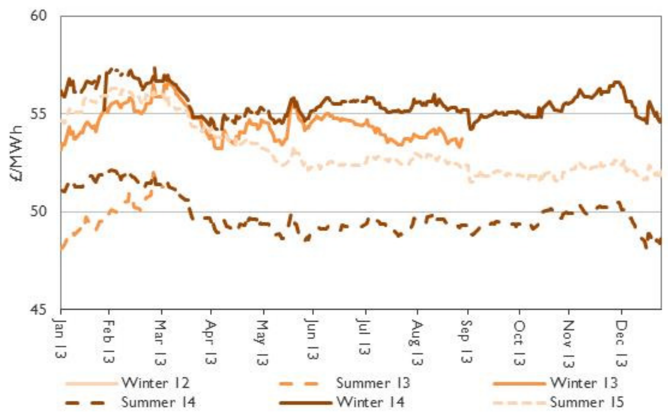


Forward curve comparison

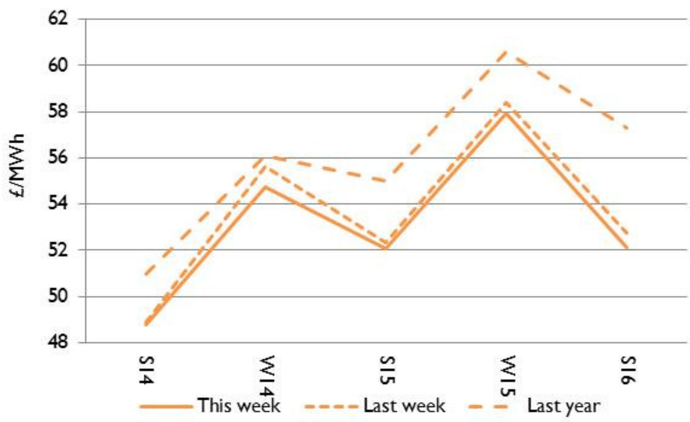


Seasonal power prices

Seasonal power contracts



Seasonal power curve

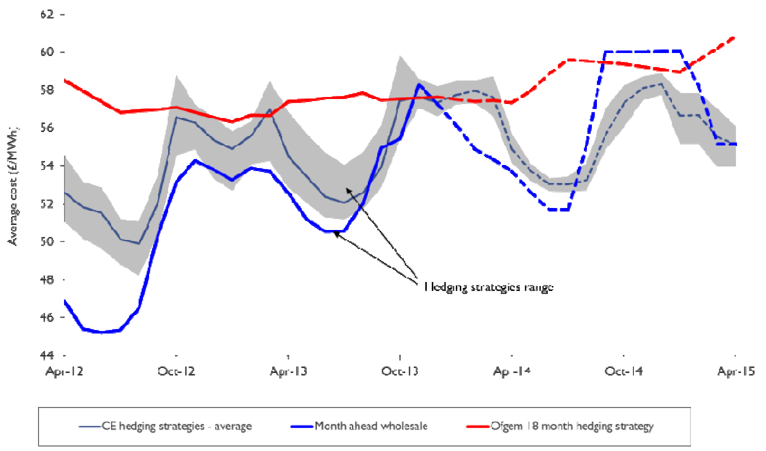


- On average, winter power contracts decreased 1.2% over the week. Winter 14 was 1.6% lower at £54.8/MWh
- Summer power contracts fell 0.6% on average over the week. Summer 14 power dropped 0.2% to £48.8/MWh.
- The summer 14 power contract decreased 3.3% from last month's level of £50.5/MWh.
- The summer 14 power contract is now lower than the price in 2013, falling 4.2% from £51.0/MWh.

Supplier hedging strategies

The annual April 14 gas contract climbed 1.7% in December to an average of 68.2p/th and the annual April 14 baseload power contract followed by rising 1.4% to £53.1/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. Prices have not yet reached their peak and are expected to increase slightly by February. On 9 January SSE said it would reduce gas and power tariffs by 3.5% from 24 March. On the same day Npower announced it would be reducing its tariffs by 2.6% from 28 February. These reductions are the result of savings in third party charges and not changes in wholesale prices.

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.

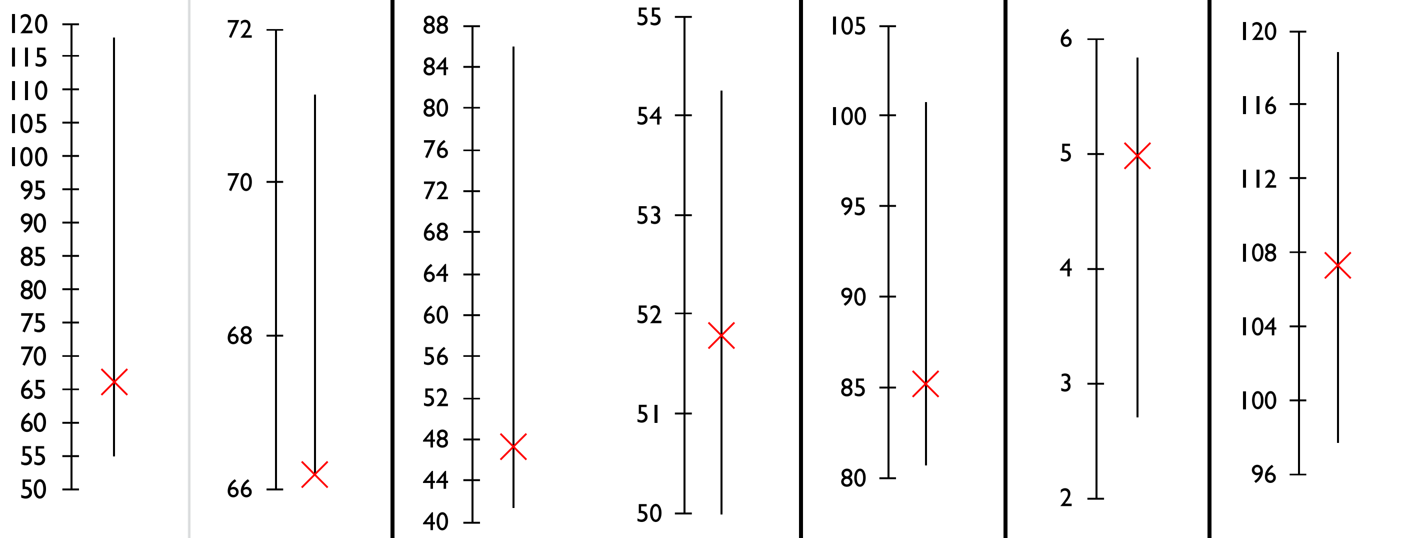


Wholesale price snapshot

Key market indicators: 24/01/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	24 Jan 14	66.00	66.18	47.20	51.78	85.15	4.97	107.31
Last week	17 Jan 14	66.00	66.98	50.70	52.28	86.50	5.19	106.05
Last month	27 Dec 13	69.25	68.55	48.00	53.53	82.30	5.05	111.78
Last year	25 Jan 13	65.75	67.76	47.20	53.53	90.10	4.40	113.45
Year-on-year % change		0%	(2%)	0%	(3%)	(5%)	13%	(5%)
Year high		118.00	71.15	86.00	54.25	100.70	5.83	118.81
Year low		54.75	66.59	41.40	47.93	80.70	2.70	97.70

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 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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