

Energy Wholesale Market Review

Week Ending 7th February 2014



edw technology

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



Contents

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



Headlines

Long-term power prices fell this week following decreases in their gas equivalents. Annual April 14 baseload power dropped 0.3% to £50.2/MWh as its gas counterpart fell 0.7% to 63.3p/th. Day-ahead baseload power increased 3.6% to £44.9/MWh with increased wind output and despite falls in coal and gas prices. Lower demand and high LNG supply contributed to day-ahead gas falling to a new seven-month low of 60.6p/th. The annual April 14 clean spark spread fell 8% to £2.1/MWh as power fell faster than gas. The annual April 14 clean dark spread fell 5.1% to £16.7/MWh following annual highs in carbon prices. Month-ahead Brent crude oil fell 0.3% to a weekly average of \$107.2/bl as fears about emerging market growth weighed heavily on prices. In contrast, carbon prices climbed to a yearly high of €6.55/t on Friday as the European parliament finally agreed to fast-track back-loading proposals.

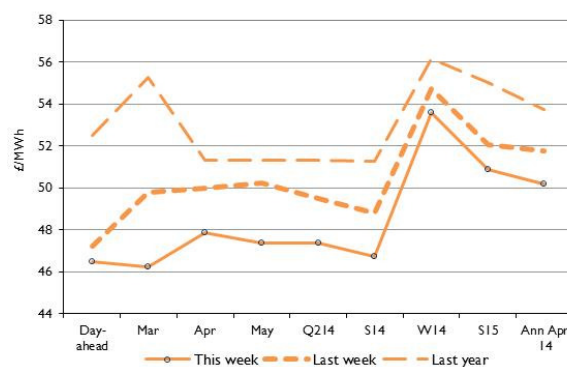
Baseload electricity

- This week, long-term baseload power contracts fell on the back of lower gas and coal prices. Summer 14 power dropped 1.0% to a record low of £47.0/MWh.
- Annual April 14 baseload decreased 0.3% to £50.2/MWh and is now 3.1% lower than last month's value of £51.8/MWh.
- Day-ahead baseload power climbed 3.6% to £46.5/MWh compared to last week. It is now 5.7% lower than last month.
- The contract rose with lower than predicted wind output towards and an unplanned nuclear outage.

Annual April contract



Forward curve comparison



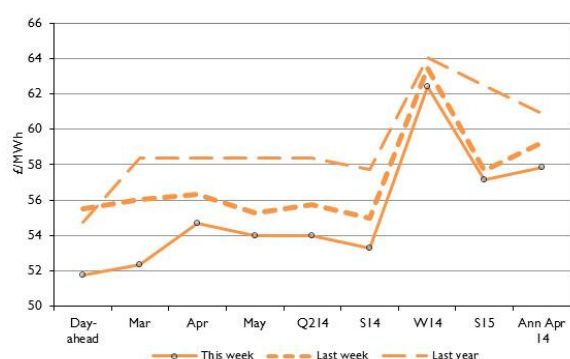
Peak electricity

- Long-term peak power contracts decreased this week, as demand fell.
- The annual April 2014 peak power contract lost 0.3% to £57.7/MWh.
- Day-ahead peak electricity increased 2.1% to £52.9/MWh.
- The day-ahead peak contract is 9.0% lower than last month and 11% below last year's value.

Annual April contract



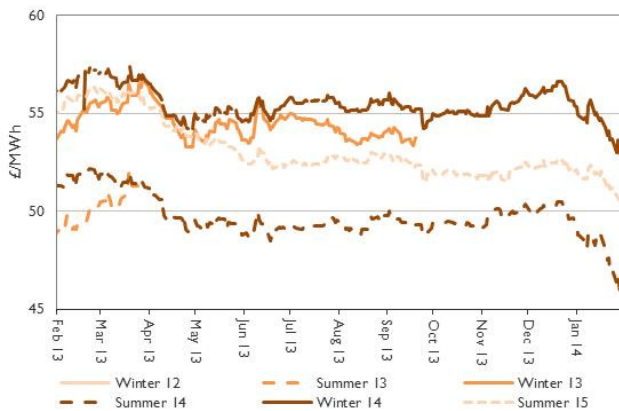
Forward curve comparison





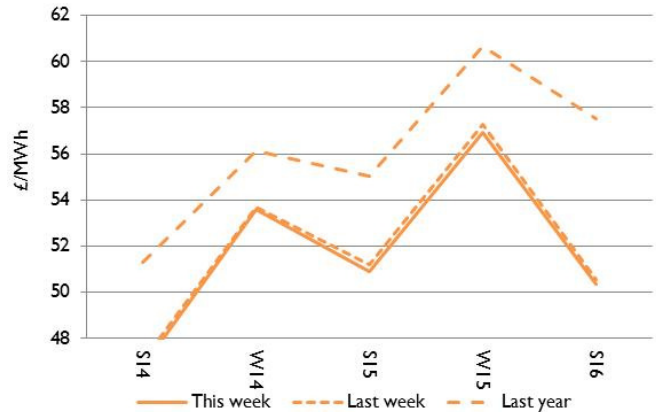
Seasonal power prices

Seasonal power contracts



- On average, winter power contracts decreased 0.4% over the week. Winter 14 was 0.2% lower at £53.6/MWh.
- Summer power contracts fell 0.6% on average over the week.

Seasonal power curve



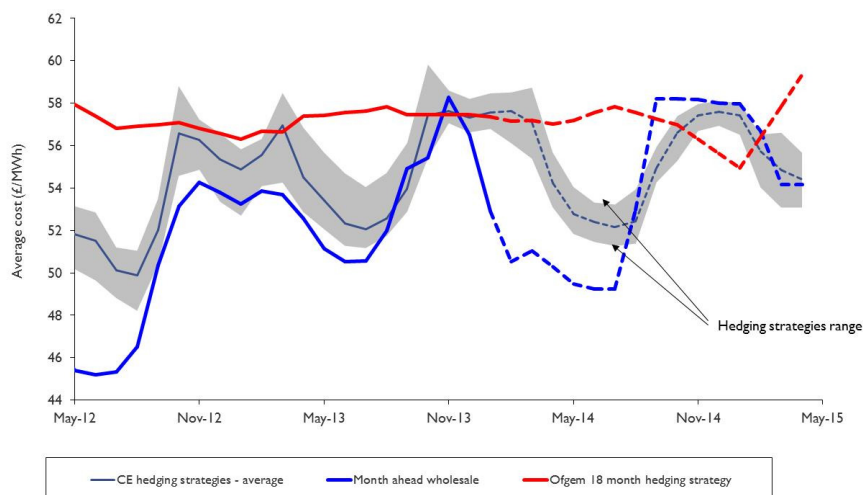
- Summer 14 power dropped 0.5% to £46.8/MWh. The contract is now 8.9% lower than last year's level and dropped to an all-time low of £45.8/MWh on Wednesday.

Supplier hedging strategies

Despite a notable drop in wholesale gas and power prices in January, our monthly average hedged electricity price has remained stable as a result of more expensive longer-term contracts offsetting the fall in shorter-term contracts. The February gas contract was down 6% over the month and its power equivalent dropped 8%. The annual April 14 baseload power contract fell 3% to monthly average of £51.8/MWh in January and the average annual April 14 gas contract was down 2% to 67.2p/th.

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:

07/02/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	7 Feb 14	60.60	63.30	46.50	50.18	83.00	6.55	107.20
Last week	31 Jan 14	61.20	63.75	44.90	50.35	83.50	5.73	107.74
Last month	10 Jan 14	66.85	66.38	49.30	51.80	86.55	4.56	107.70
Last year	8 Feb 13	68.40	68.18	52.50	53.73	100.40	4.33	117.72
Year-on-year % change		(11%)	(7%)	(11%)	(7%)	(17%)	51%	(9%)
Year high		118.00	71.15	86.00	54.25	115.21	6.55	118.81
Year low		54.75	67.19	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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com

Copyright © 2014 EDW Technology Limited. All rights reserved.

No part of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or translated into any language, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission from EDW Technology Limited.

All copyright, confidential information, patents, design rights and all other intellectual property rights of whatsoever nature contained herein are and shall remain the sole and exclusive property of EDW Technology Limited. The information furnished herein is believed to be accurate and reliable. However, no responsibility is assumed by EDW Technology Limited for its use, or for any infringements of patents or other rights of third parties resulting from its use.