Energy Wholesale Market Review

Week Ending 14th February 2014

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Contents

Headlines

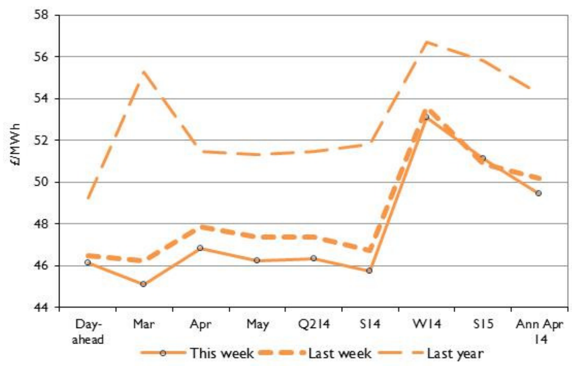
Long-term power prices fell this week following decreases in their gas equivalents. Annual April 14 baseload power dropped 1.5% to £49.4/MWh as its gas counterpart fell 2.3% to 61.8p/th. Day-ahead baseload power decreased 0.9% to £46.2/MWh with record-high wind output and falls in coal and gas prices. Lower demand and high storage use contributed to day-ahead gas falling to a new eight-month low of 58.3p/th. The annual April 14 clean spark spread rose 16% to £2.5/MWh as gas fell faster than power. The annual April 14 clean dark spread rose 0.1% to £16.8/MWh as coal fell slightly faster than power. Month-ahead Brent crude oil prices rose 2.2% to a weekly average of $108.7/bl as the market tightened with renewed demand in advanced economies. Carbon prices continued their resurgence, climbing 7.5% to a weekly average of €6.45/t. EU ETS allowances are now 35.3% more expensive compared with the same period last year.

Baseload electricity

- This week, long-term baseload power contracts fell on the back of lower gas and coal prices. Summer 14 power dropped 2.1% to a record-low of £45.8/MWh.
- Annual April 14 baseload decreased 1.5% to £49.4/MWh and is now 5.5% lower than last month's value of £52.3/MWh
- Day-ahead baseload power dropped 0.8% compared with last week to £46.2/MWh. It is now 9.0% lower than last month.
- The contract fell with record-high wind output and falls in gas and coal prices

Annual April contract

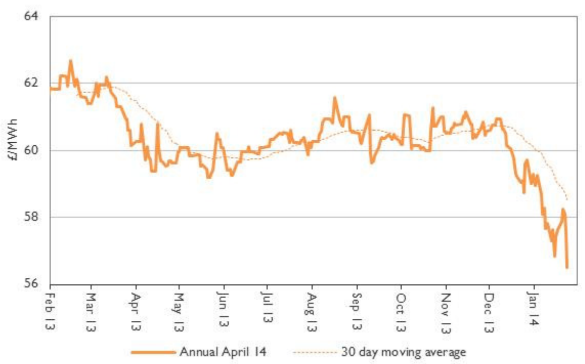
Forward curve comparison



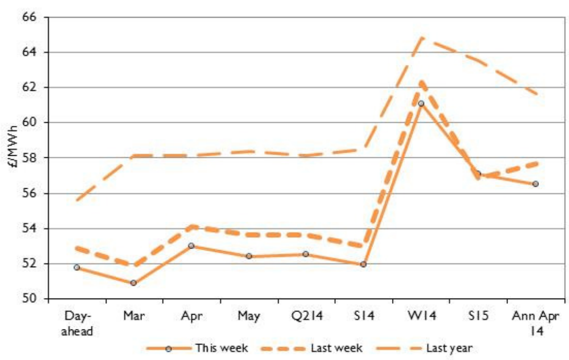
Peak electricity

- Long-term peak power contracts decreased this week as demand fell.
- The annual April 2014 peak power contract lost 2.0% to settle at £56.5/MWh.
- Day-ahead peak electricity decreased 2.1% to £51.8/MWh.
- The day-ahead peak contract is 11.5% lower than last month and 7% below last year's value.

Annual April contract



Forward curve comparison

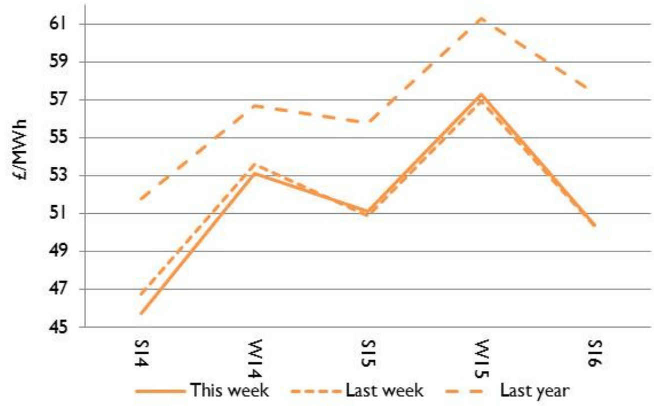


Seasonal power prices

Seasonal power contracts

- On average, winter power contracts decreased 0.2% over the week. Winter 14 was 0.9% lower at £53.1/MWh.
- Summer power contracts fell 0.5% on average over the week.

Seasonal power curve



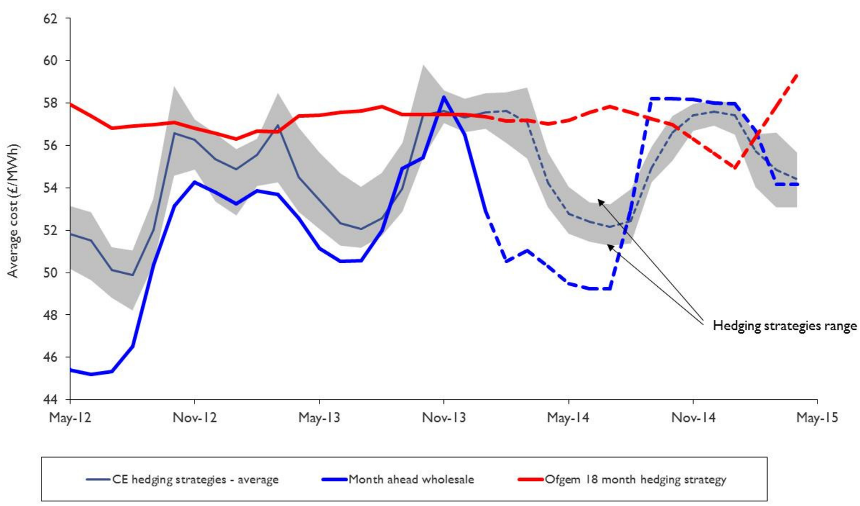
- Summer 14 power dropped 2.1% to £45.8/MWh. The contract is now 11.7% lower than last year's level and dropped to an all-time low of £45.8/MWh on Friday.

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.

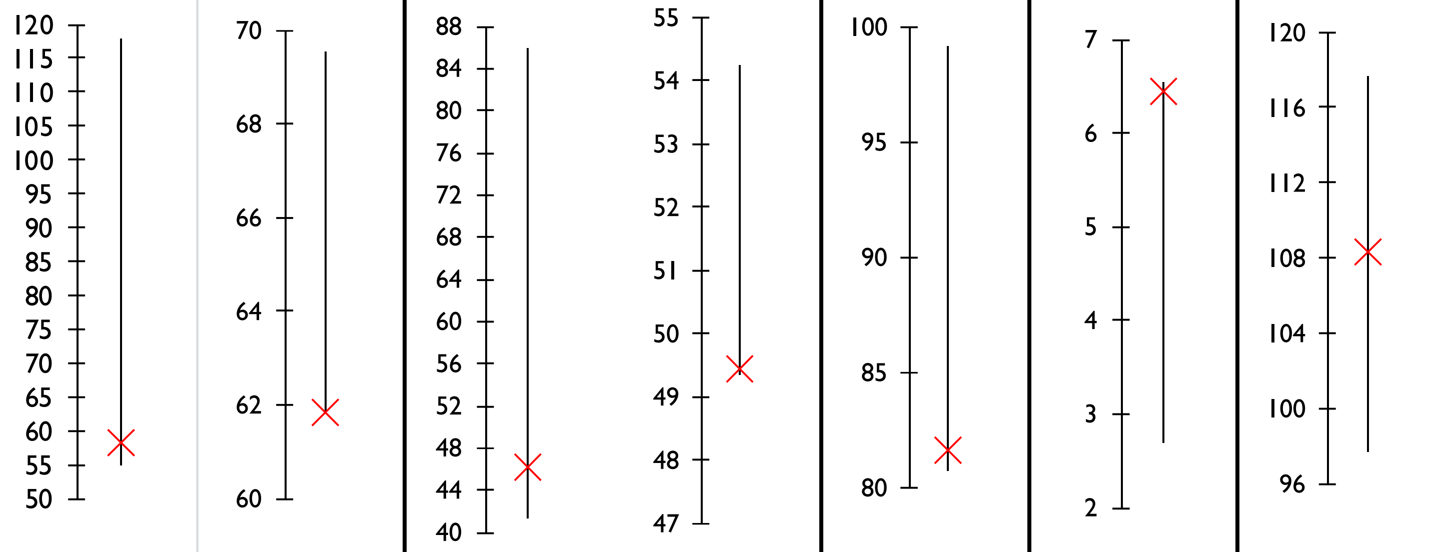


Wholesale price snapshot

Key market indicators: **14/02/2014**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	14 Feb 14	58.25	61.83	46.15	49.43	81.60	6.44	108.35
Last week	7 Feb 14	60.60	63.30	46.50	50.18	83.00	6.55	107.20
Last month	17 Jan 14	66.00	66.98	50.70	52.28	86.50	5.19	106.05
Last year	15 Feb 13	68.00	68.40	49.25	54.25	98.50	5.20	117.67
Year-on-year % change		(14%)	(10%)	(6%)	(9%)	(17%)	24%	(8%)
Year high		118.00	69.55	86.00	54.25	99.15	6.55	117.68
Year low		54.75	61.83	41.40	49.35	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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