# Energy Wholesale Market Review

## Week Ending 28th February 2014

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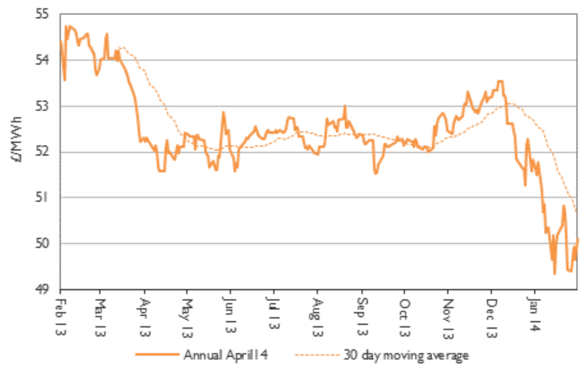
## Headlines

Long-term power prices returned to downward trends this week, wiping out gains seen last Friday, as gas and coal prices saw sharp falls. Annual April 14 baseload power decreased 1.8% to £49.0/MWh. Short-term power prices rose this week with falling wind output and unplanned nuclear outages. Day-ahead power rose 4.7% to £44.8/MWh. In contrast gas prices fell with continuing low demand and increased LNG supply. Winter gas demand is now at its lowest level in 7 years. Day-ahead gas dropped 2.0% to an 18-month low of 56.2p/th on Friday. The annual April 14 clean spark spread fell 8% to £2.6/MWh as annual power prices fell. The annual April 14 clean dark spread dropped 5% to £16.4/MWh as power fell faster than coal. Coal prices are now at their lowest level in 4 years. Month-ahead Brent crude oil dipped 0.1% to a weekly average of $109.6/bl with Libyan supply disruptions offset by weak economic data from China. Carbon prices fell 1.6% over the week from a 14-month high of €7.2/t on Monday.

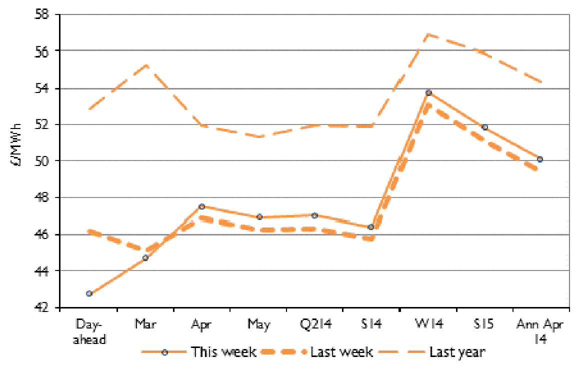
## Baseload electricity

- This week, long-term power contracts returned to downwards trends following substantial falls in gas and coal.
- Annual April 14 baseload decreased 1.8% to £49.0/MWh. The contract fell to a record-low of £48.2/MWh on Wednesday.
- Falling wind output and unplanned nuclear outages help push day-ahead power up this week.
- The contract rose 4.7% to £44.8/MWh. It is now 0.3% lower than last month and 13% lower than the same time last year.

### Annual April contract



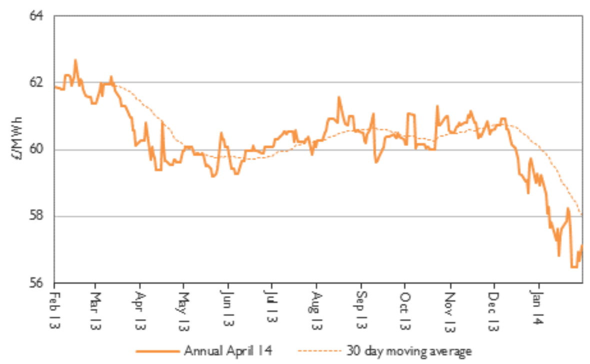

### Forward curve comparison




## Peak electricity

- Peak power contracts followed the same pattern as the baseload power market.
- The annual April 2014 peak power contract dropped 2.0% to settle at £56.0/MWh.
- Day-ahead peak electricity increased 3.0% to £50.0/MWh.
- The day-ahead peak contract is 12.0% lower than last month and 18% below last year's value.

### Annual April contract

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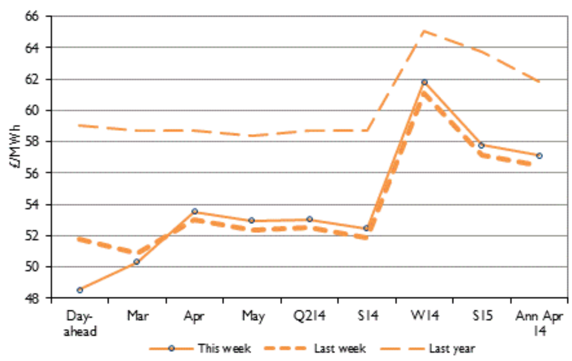
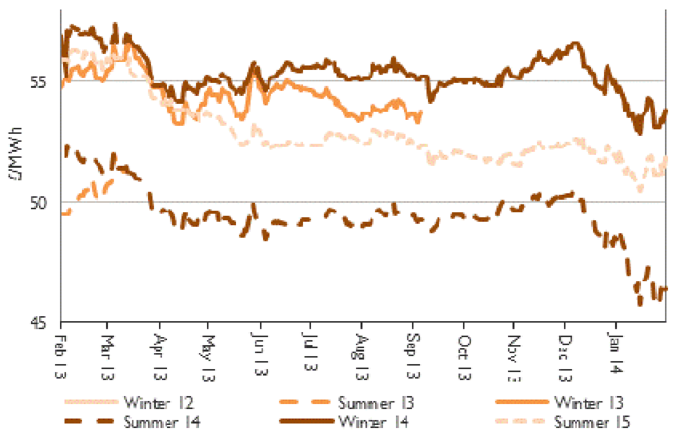
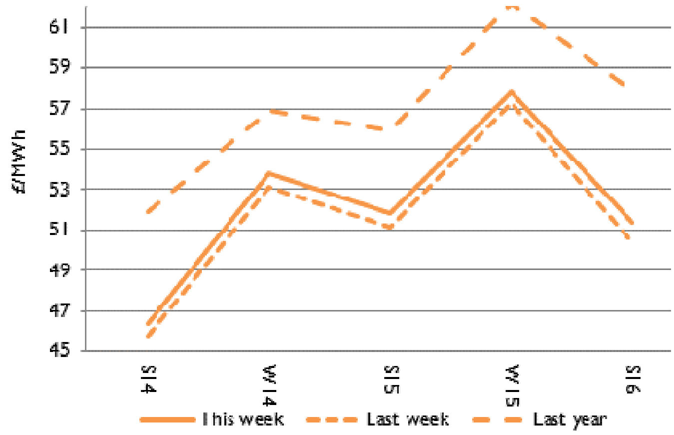


# Seasonal power prices

## Seasonal power contracts




## Seasonal power curve



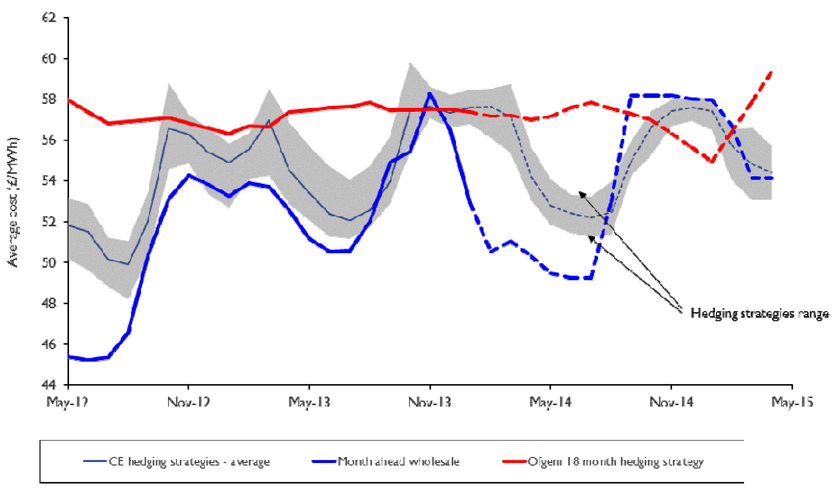

- On average, winter power contracts decreased 1.5% over the week. Winter 14 was 1.6% lower at £53.0/MWh.
- Summer power contracts dropped 1.5% on average over the week.
- Summer 14 power dropped 3% to £45.0/MWh. The contract reached a record-low of £44.40/MWh on Wednesday.
- The contract is now 4.3% below last month and 13.7% lower than last year's level.

# 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.

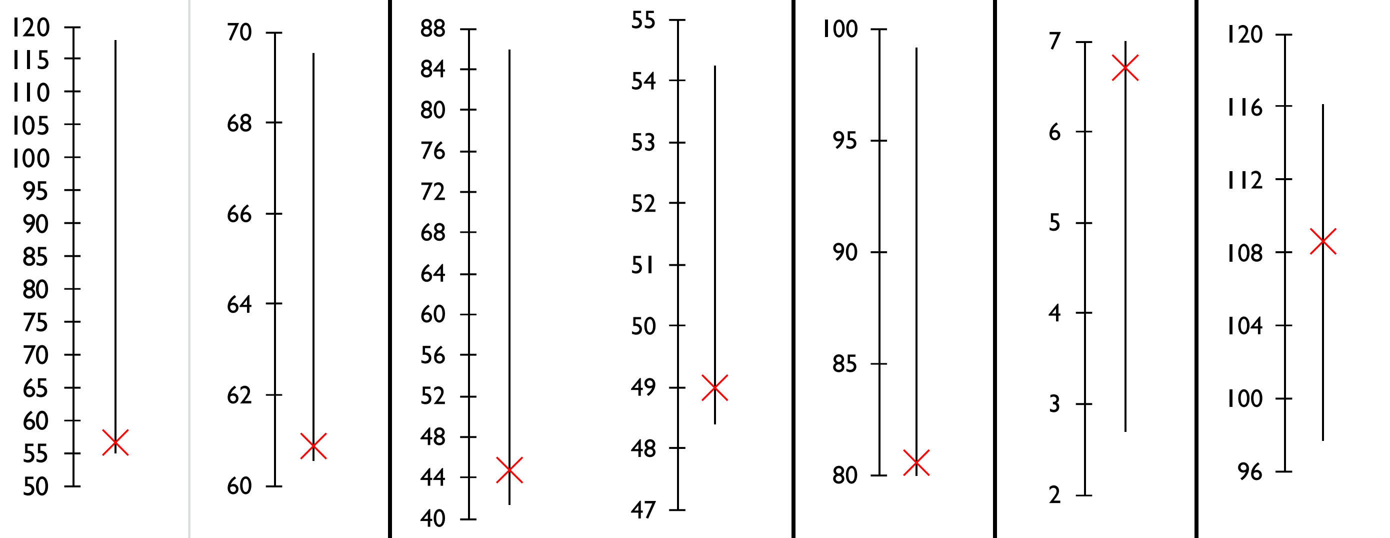


# Wholesale price snapshot

**Key market indicators: 28/02/2014**

| | | Gas (p/th) | | Electricity (£/MWh) | | Coal | Carbon | Brent crude |
|---|---|---|---|---|---|---|---|---|
| | | Day-ahead | Year-ahead | Day-ahead | Year-ahead | ($/t) | (€/t) | ($/bl) |
| This week | 28 Feb 14 | 56.45 | 60.85 | 44.75 | 48.98 | 80.50 | 6.70 | 108.65 |
| Last week | 21 Feb 14 | 57.60 | 61.98 | 42.75 | 50.10 | 80.65 | 7.00 | 110.12 |
| Last month | 31 Jan 14 | 61.20 | 63.75 | 44.90 | 50.35 | 83.50 | 5.73 | 107.74 |
| Last year | 1 Mar 13 | 70.30 | 69.10 | 51.35 | 54.73 | 98.10 | 4.85 | 111.16 |
| Year-on-year % change | | (20%) | (12%) | (13%) | (11%) | (18%) | 38% | (2%) |
| Year high | | 118.00 | 69.55 | 86.00 | 54.25 | 99.15 | 7.22 | 116.17 |
| Year low | | 54.75 | 60.53 | 41.40 | 48.40 | 80.00 | 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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