

Energy Wholesale Market Review

Week Ending 21st March 2014



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Headlines

This week, gas prices continued recent falls as low seasonal demand was complimented by high supplies. Day-ahead gas dropped 2.3% over the week to average 56.3p/th. Annual April 14 gas fell 2.3% to 60.9p/th. Power prices followed these downward trends in gas. Day-ahead power dropped 6% to average £43.6/MWh for the week as record wind generation pushed gas and coal off the system. Annual April 14 baseload dropped 1.6% over the week to average £49.0/MWh. The annual April 14 clean spark spread climbed 42% to £1.0/MWh as carbon prices fell faster than gas. The annual April 14 clean dark spread decreased 4.3% to £16.5/MWh as coal prices rose and power fell. Brent crude oil prices fell 1.3% to a weekly average of \$106.6/bl. The contract dropped to a four-month low of \$106.0/bl on Thursday with markets reacting to US stimulus announcements. Carbon prices declined 10.6% to a weekly average of €6.1/t. Prices were down despite back-loading auctions being completed.

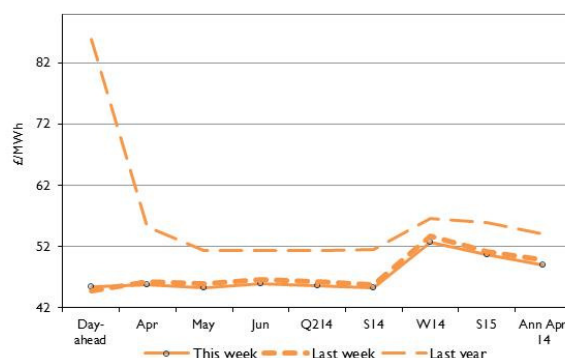
Baseload electricity

- This week, long-term power contracts decreased with record wind output pushing more expensive gas off the system.
- Annual April 14 baseload dropped 1.6% to a three-week low of £49.0/MWh on Thursday.
- Record wind output, reaching 13% of the generation mix on Thursday, pulled day-ahead power down.
- The contract fell 6% to average £43.6/MWh for the week

Annual April contract



Forward curve comparison



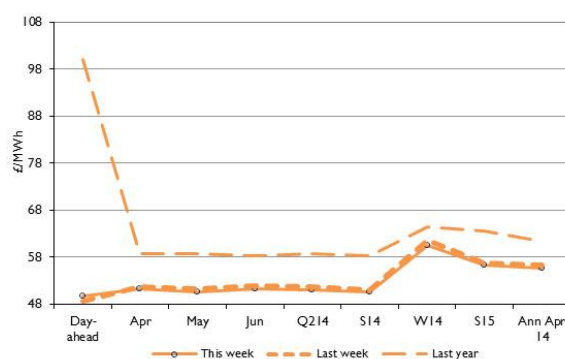
Peak electricity

- Peak power contracts followed trends in baseload power and gas markets.
- The annual April 2014 peak power contract fell 1.3% to settle at £55.6/MWh. The contract fell to an 18-month low of £55.58/MWh on Thursday.
- Day-ahead peak electricity increased 2.1% to £49.7/MWh.
- The day-ahead peak contract is 50% below last year's value. Figures last year were high with unseasonal cold weather pushing up demand.

Annual April contract



Forward curve comparison





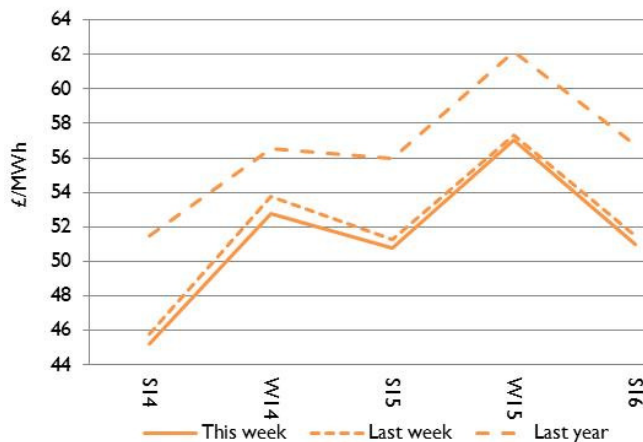
Seasonal power prices

Seasonal power contracts



- On average, winter power contracts decreased 1.2% over the week. Winter 14 was 1.3% lower at £52.8/MWh.
- Summer power contracts were down 1.1% on average over the week.

Seasonal power curve



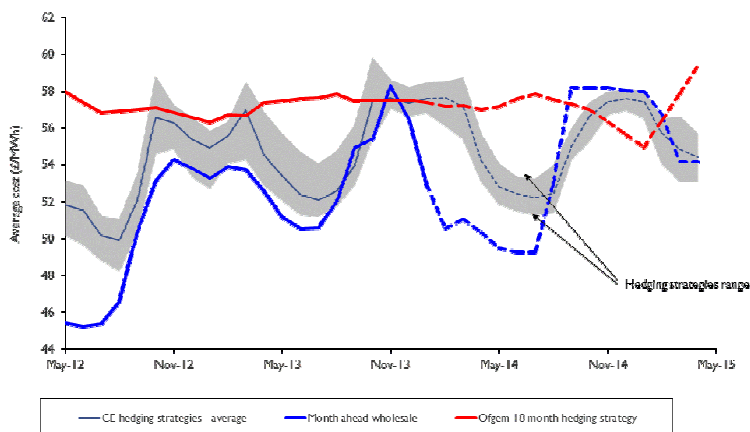
- Summer 14 power dropped 1.3% to £45.2/MWh. The contract reached a three-week low of £45.0/MWh on Thursday.
- The contract is now 2.6% below last month and 12.1% lower than last year's level.

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:

21/03/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	21 Mar 14	56.25	60.90	45.40	48.98	81.00	6.13	106.47
Last week	14 Mar 14	57.50	62.33	44.75	49.78	80.80	6.43	107.59
Last month	21 Feb 14	57.60	61.98	42.75	50.10	80.65	7.00	110.12
Last year	22 Mar 13	118.00	68.88	86.00	54.00	93.00	4.50	107.21
Year-on-year % change		(52%)	(12%)	(47%)	(9%)	(13%)	36%	(1%)
Year high		118.00	69.25	86.00	54.25	94.65	7.22	116.17
Year low		54.75	60.53	41.40	48.40	80.00	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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