

Energy Wholesale Market Review

Week Ending 16th May 2014



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Headlines

Short-term gas prices hit new four-year lows this week as domestic markets remained bearish on falling demand and comfortable supplies. Day-ahead gas fell to 44.1p/th, its lowest level since October 2010, as LNG and continental deliveries continued. LNG supplies also added to high storage levels and suppressed gas prices along the curve. Power contracts followed, with annual October 14 power dropping 0.4% to £49.7/MWh. Day-ahead power was also influenced by gas, falling to £39.8/MWh with gas dominant in the generation mix. In spreads, the annual October 14 clean spark spread rose 7% to £3.8/MWh as gas prices fell faster than power, while the annual October 14 clean dark spread decreased 0.6% to £17.7/MWh. In contrast, commodities were more bullish, with Brent crude oil up 1% to \$109.0/bl on the back of stalling Libyan exports and API 2 coal prices up 0.2% with increasing Chinese demand.

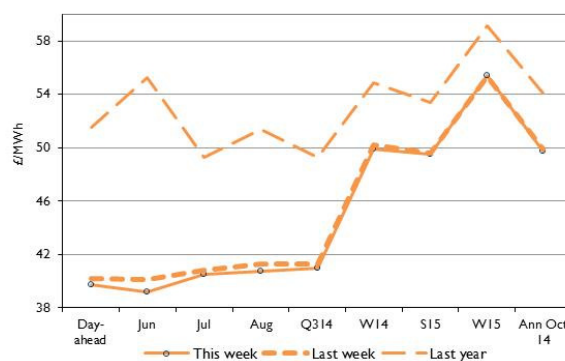
Baseload electricity

- Most long-term power contracts were down this week, following falls in their gas counterparts.
- Annual October 14 baseload power dropped 0.4% to £49.7/MWh, close to the record low set in April.
- The day-ahead contract fell 1.1% to £39.8/MWh following falls in gas and on returning nuclear capacity. Gas averaged 40% of the generation mix for the week and falling spot prices fed into day-ahead power.

Annual October contract



Forward curve comparison



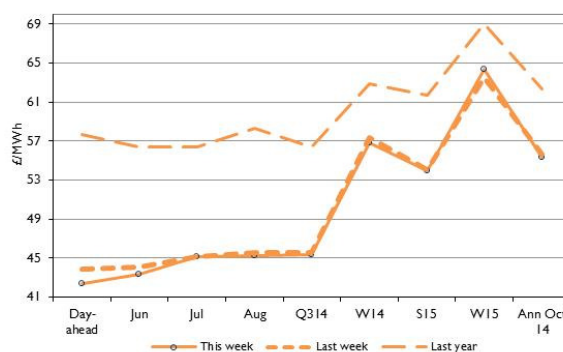
Peak electricity

- Most peak power contracts decreased as peak electricity demand hit a nine-month low.
- The annual October 2014 peak power contract dropped 0.5% to settle at £55.4/MWh
- Day-ahead peak electricity fell 3.5% week-on-week to £42.4/MWh, its lowest level since October 2010.
- The contract is now 6.5% below last month and 27% lower than last year's value.

Annual October contract



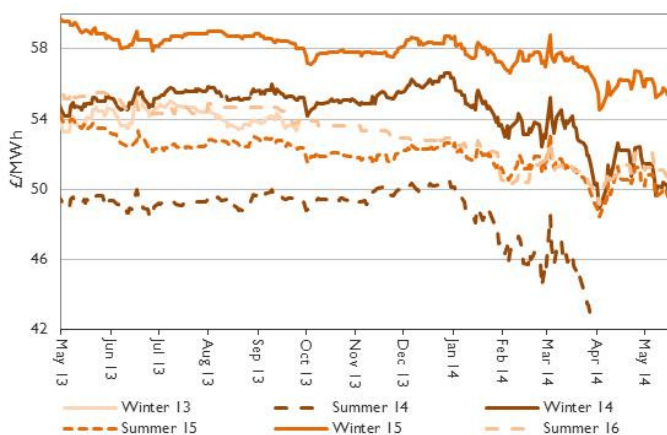
Forward curve comparison



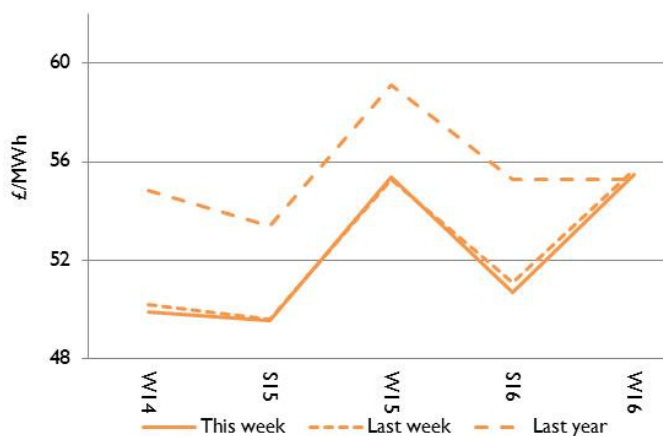


Seasonal power prices

Seasonal power contracts



Seasonal power curve

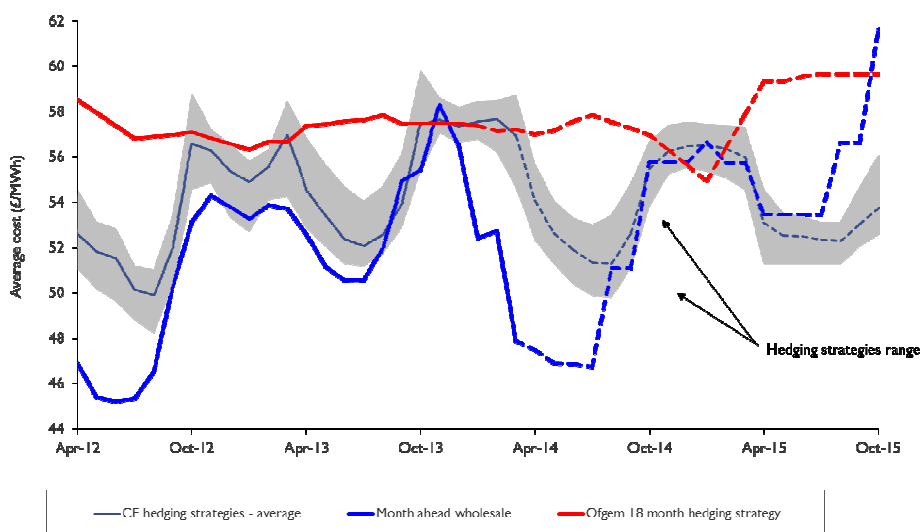


- Seasonal power contracts followed bearish trends in gas, with high storage data and low demand predictions weighing on prices. Winter power contracts were down 0.4% over the week, with winter 14 power dropping 0.6% to £49.9/MWh.
- Summer power contracts were down 0.3% on average over the week.
- Summer 15 power declined 0.1% to £49.5/MWh. The contract is now 1.9% below last month and 7.2% lower than last year's level.

Supplier hedging strategies

On 26 March SSE revealed it would be freezing domestic gas and electricity prices at their current levels until 2016, announcing 500 job cuts and shelving four planned offshore wind farm developments to pay for the costs. A day later, Ofgem announced its intention to refer the energy market for a Competition and Markets Authority (CMA) investigation. Ofgem also announced it had updated its supply market indicators.

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:

16/05/2014

	Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 16 May 14	44.30	58.68	39.75	49.73	83.00	4.79	108.96
Last week 9 May 14	46.75	59.10	40.20	49.90	82.10	5.21	108.64
Last month 18 Apr 14	51.00	61.75	43.50	51.35	82.40	5.47	109.60
Last year 17 May 13	65.50	66.63	51.50	54.13	90.40	3.75	103.65
Year-on-year % change	(32%)	(12%)	(23%)	(8%)	(8%)	28%	5%
Year high	71.95	68.93	58.30	52.66	91.60	7.22	116.17
Year low	44.30	58.38	38.35	46.45	80.00	3.40	100.05

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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