

Energy Wholesale Market Review

Week Ending 23rd May 2014



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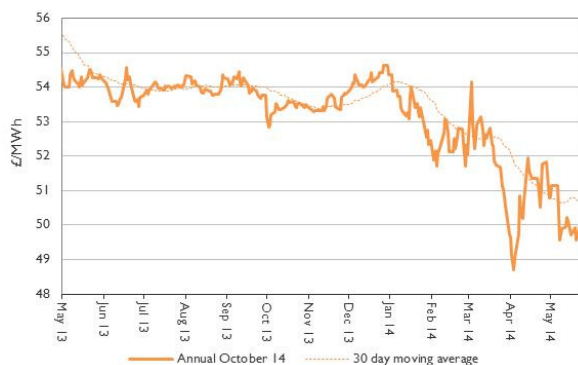
Headlines

Low demand continued to characterise the power market this week, as spot prices recorded new four-year lows. Day-ahead power dropped 5.3% week-on-week to £37.7/MWh as low demand and increasing wind output pulled prices lower. In contrast, gas contracts rose with outages at Norwegian fields, security of supply fears in Ukraine and a bullish oil market all influencing. Annual October 14 gas was up 0.6% to 58.7p/th, helping its power counterpart gain 0.6% to £50.0/MWh. In spreads, the annual October 14 clean spark spread fell 2% to £3.7/MWh as gas prices rose faster than power, while the annual October 14 clean dark spread was unchanged at £17.7/MWh. Commodity markets were mixed, with Brent crude oil climbing to a three-month high of \$110.7/bl on increasing tensions in Libya while carbon prices dropped 3.2% to €5.2/t as weak demand continued.

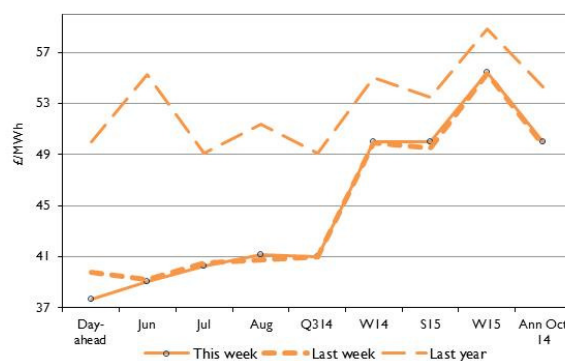
Baseload electricity

- Long-term power contracts were up this week following rises in long-term gas contracts.
- Annual October 14 baseload power climbed 0.6% to £50.0/MWh.
- The day-ahead contract fell 5.3% to £37.7/MWh, a new four-year low. Falling demand continued to characterise the spot market and increasing wind output helped push more expensive gas off the system.

Annual October contract



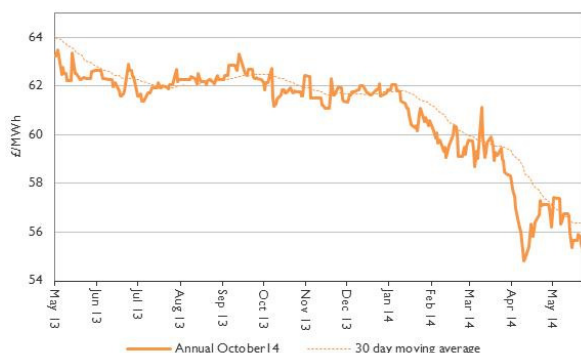
Forward curve comparison



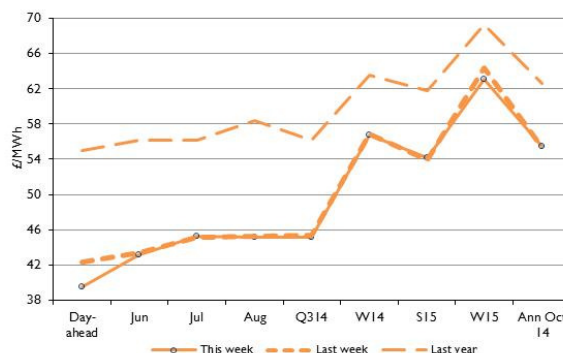
Peak electricity

- Most peak power contracts decreased as peak electricity demand hit a 10-month low.
- The annual October 2014 peak power contract dropped 0.2% to settle at £55.4/MWh.
- Day-ahead peak electricity fell 6.7% week-on-week to £39.5/MWh, a new four-year low.
- The contract is now 6.8% below last month and 28% lower than last year's value.

Annual October contract



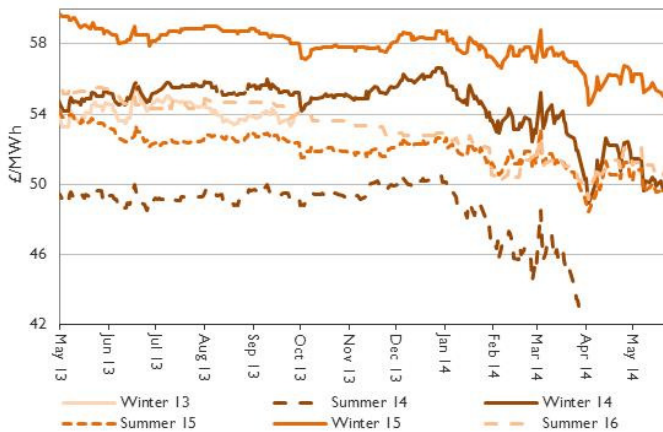
Forward curve comparison



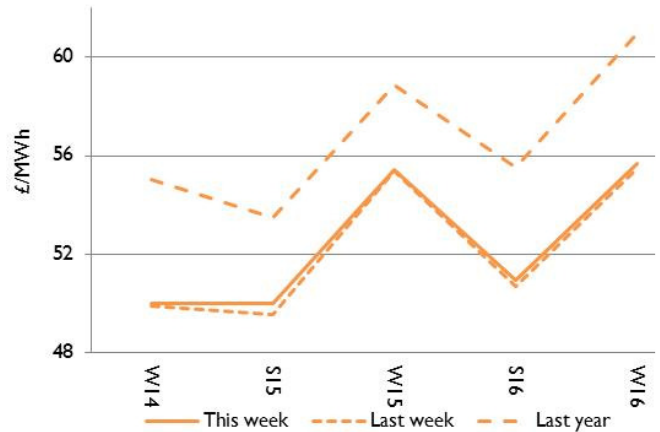
Seasonal power prices



Seasonal power contracts



Seasonal power curve



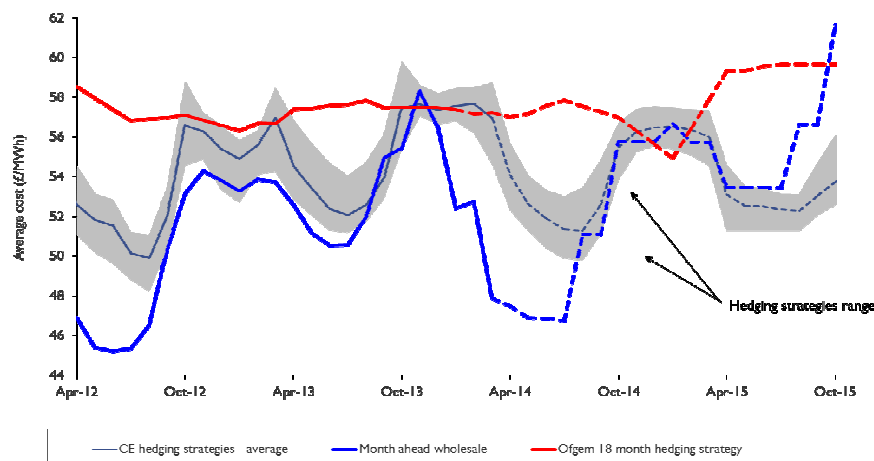
- Seasonal power contracts followed rises in gas. Winter power contracts were up 0.7% over the week, with winter 14 power climbing 0.2% to £50.0/MWh.
- Summer power contracts rose 0.2% on average over the week
- Summer 15 power gained 0.9% to £50.0/MWh. The contract is now 2.3% below last month and 6.5% lower than last year's level.
- Despite this week's rises, the longer-term trend of mild winter weather lowering demand continues to influence.

Supplier hedging strategies

Since the announcement that Ofgem would refer the energy market to the Competition Markets Authority (CMA), a number of companies have expressed concern about the investor sentiment created. Many companies have stated they will stall investment decisions until after the investigation finishes in 2016.

In the shorter-term, falling wholesale prices, resulting from a mild winter reducing demand and keeping gas supplies well above average levels, have led to price falls from many suppliers on a number of domestic tariffs. Month-ahead prices for February, March and April this year averaged £47.7/MWh, 6% below last year's figure of £50.6/MWh.

However, more recently OVO Energy announced on 15 May that the cost of its fixed tariff would increase by 3%. The company said it had finally been forced to raise prices after an increase in both wholesale commodity costs and the cost of supplying energy. OVO's strategy of buying shorter dated contracts has been affected by the recent price spike following conflict in the Ukraine.





Wholesale price snapshot

Key market indicators:

23/05/2014

	Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 23 May 14	45.45	59.00	37.65	50.00	83.00	5.23	110.38
Last week 16 May 14	44.30	58.68	39.75	49.73	83.00	4.79	108.96
Last month 25 Apr 14	48.55	61.60	41.90	51.77	82.30	5.64	109.97
Last year 24 May 13	69.25	67.04	50.00	54.28	91.30	3.42	102.22
Year-on-year % change	(34%)	(12%)	(25%)	(8%)	(9%)	53%	8%
Year high	71.95	68.93	58.30	52.66	91.50	7.22	116.17
Year low	44.10	58.38	37.65	46.45	80.00	3.42	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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