

Energy Wholesale Market Review

Week Ending 30th May 2014



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Headlines

A strong supply picture, with storage at its highest levels for May since 2007, helped power and gas contracts fall to historic lows this week. High storage supply continued to affect gas, with the annual October 14 contract dropping 0.8% to 58.5p/th. Its power counterpart followed lower, helped by a fall in the winter 14 power contract that dropped below its summer 15 counterpart for the first time in two years. Day-ahead gas continued to tumble despite increased short-term demand as LNG deliveries pushed the contract to a new four-year low of 42.3p/th. In spreads, the annual October 14 clean spark spread rose 4% to £3.9/MWh as gas prices fell faster than power, while the annual October 14 clean dark spread lost 1% to £17.5/MWh as coal prices rose and power prices fell. Commodity markets were bullish, with Brent crude oil climbing 0.1% to \$110.2/bl as security of supply fears in Libya and Ukraine continued to influence and carbon prices rising 4.5% to €5.2/t with speculation over future permit cuts.

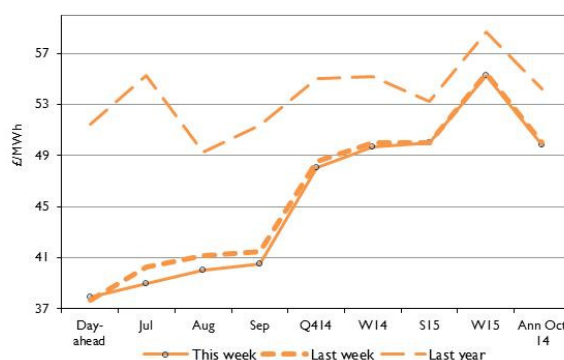
Baseload electricity

- Long-term power contracts followed their gas counterparts lower this week.
- Annual October 14 baseload power dropped 0.6% to £50.0/MWh.
- The day-ahead contract climbed 0.7% to £37.9/MWh as relatively more expensive gas replaced coal and nuclear capacity following unplanned outages.

Annual October contract



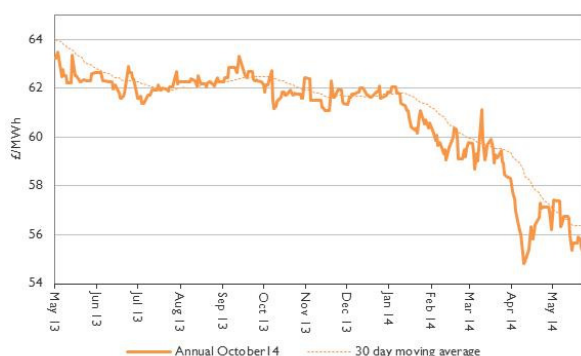
Forward curve comparison



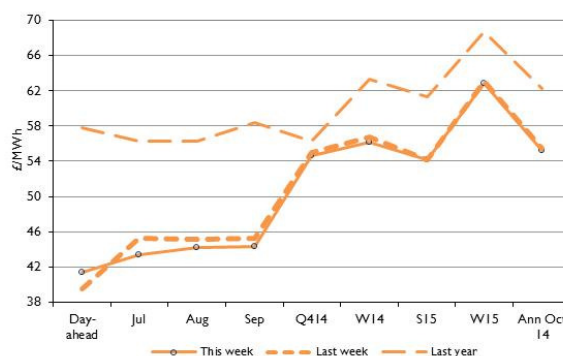
Peak electricity

- Most peak power contracts decreased this week as demand continued to fall.
- The annual October 2014 peak power contract dropped 0.5% to settle at £55.2/MWh.
- Day-ahead peak electricity rose 4.8% week-on-week to £41.4/MWh with increasing domestic demand.
- The contract is now 2.6% above last month and 28% lower than last year's value.

Annual October contract



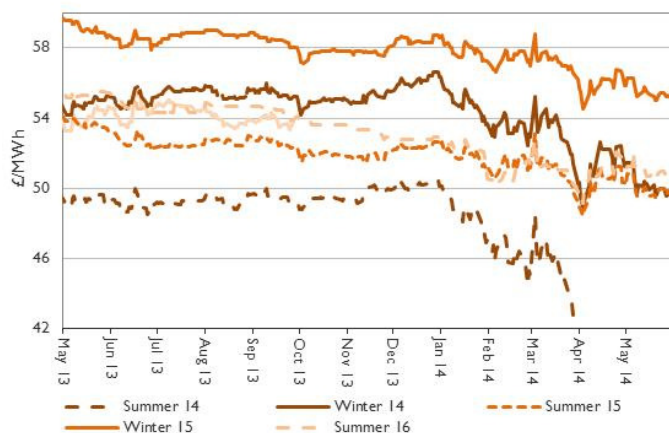
Forward curve comparison



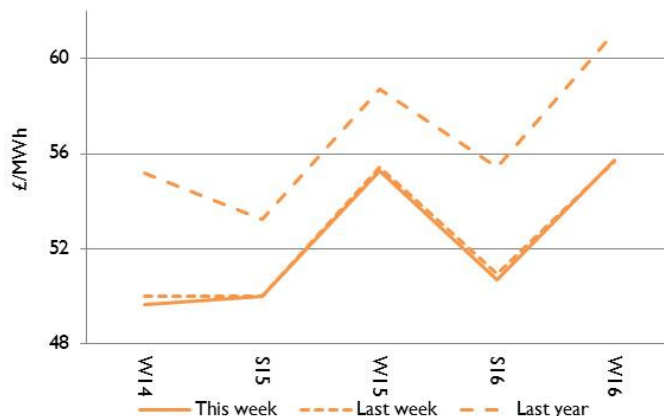


Seasonal power prices

Seasonal power contracts



Seasonal power curve



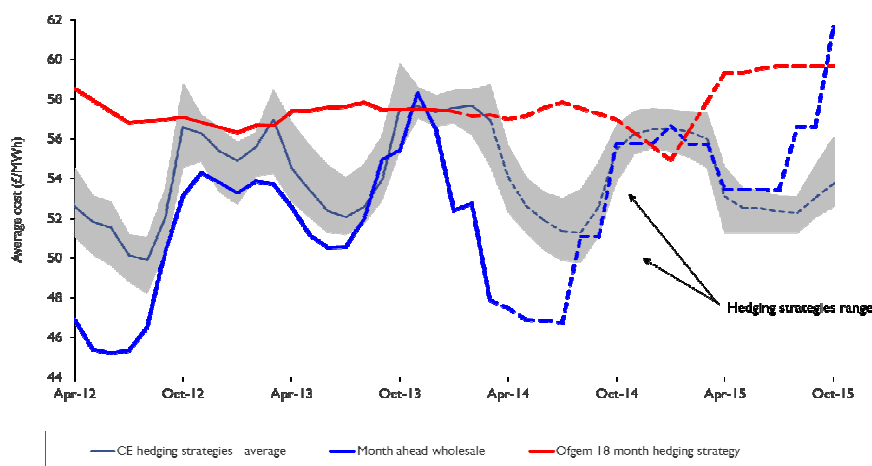
- Seasonal power contracts followed falls in gas. Winter power contracts were down 0.2% over the week, with winter 14 power falling 0.7% to £49.7/MWh.
- High storage levels in gas have continued to effect power contracts, with the winter 14 contract close to record lows.
- Summer 15 power remained at £50.0/MWh. The contract is now 1.6% below last month and 6.1% lower than last year's level.
- The winter 14 contract is now at a lower level than summer 15, only the second time this has happened in three years.

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:

30/05/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	30 May 14	42.25	58.53	37.90	49.83	82.45	5.19	109.95
Last week	23 May 14	45.45	59.00	37.65	50.00	83.00	5.23	110.38
Last month	2 May 14	46.25	60.30	39.30	51.13	82.75	5.43	108.08
Last year	31 May 13	67.00	67.08	51.50	54.23	90.60	3.97	101.74
Year-on-year % change		(37%)	(13%)	(26%)	(8%)	(9%)	31%	8%
Year high		71.95	67.90	58.30	54.63	90.60	7.22	116.17
Year low		42.25	57.28	37.65	48.70	80.00	3.87	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.

Commodity	Unit	Year Range (Min-Max)	This Week Price
Gas	p/th	40 - 75	42.25
Electricity	£/MWh	36 - 60	37.90
Coal	\$/t	78 - 94	82.45
Carbon	€/t	3 - 7	5.19
Brent crude	\$/bl	98 - 118	109.95



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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