

Energy Wholesale Market Review

Week Ending 13th June 2014



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Headlines

Following the seizure of large parts of Northern Iraq by militants, oil prices jumped up to nine-month highs. This had the effect of pushing up the gas and power markets despite continuing low demand and comfortable supplies.

Annual October 14 baseload power rose 1.4% to £49.5/MWh after its gas counterpart climbed 1.2% to 57.5p/th. Clean spark and dark spreads both rose as power climbed further than gas, the annual clean spark spread is now £4.9/MWh, 53% higher than last year but £12.7/MWh lower than the annual clean dark spread. Month-ahead Brent crude oil climbed to a nine-month high of \$114.2/bl on Friday following concerns about tensions in Iraq. Coal prices continued to fall, dropping 1% to average \$79.8/t for the week as a result of strong supplies and robust stockpiles. Carbon prices climbed 3.8% to average €5.5/t as German ministers expressed a preference for early reform of the market.

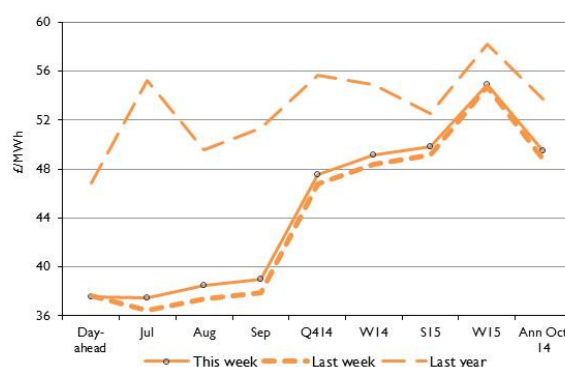
Baseload electricity

- The rising gas market has offset falling demand to push most baseload power contracts upwards
- Annual October 14 baseload power climbed 1.4% to £49.5/MWh.
- Despite the rise in gas day-ahead power fell 0.3% to £37.6/MWh, as wind power output was forecast to rise. Gas fired power stations are still providing over 45% of the capacity on the system.

Annual October contract



Forward curve comparison



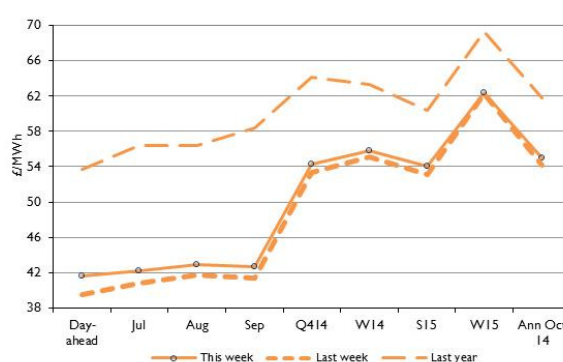
Peak electricity

- Peak contracts rose across the board this week on the back of rising gas prices.
- The annual October 2014 peak power contract climbed 1.5% to settle at £55.0/MWh.
- Day-ahead peak electricity rose 5.3% week-on-week to £41.6/MWh.
- The contract is now 1.8% below last month and 23% lower than last year's value.

Annual October contract



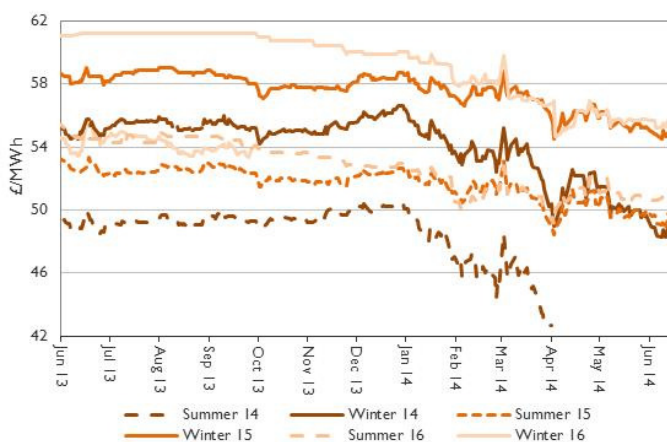
Forward curve comparison





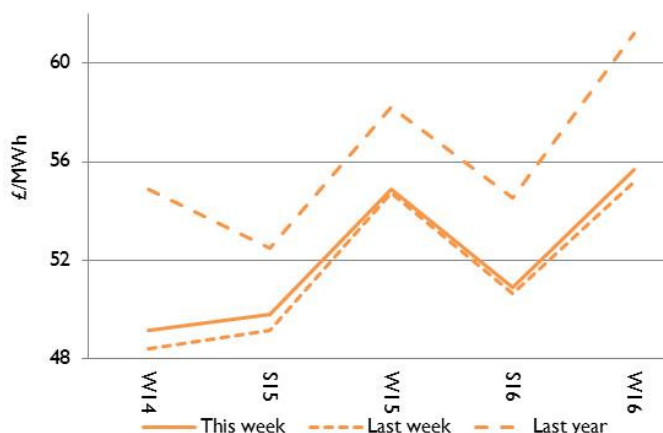
Seasonal power prices

Seasonal power contracts



- The rising gas and oil markets outweighed falling coal and good supply to push up seasonal power contracts. Winter seasonal power contracts rose 0.9% on average.
- Winter 14 power climbed 1.9% to £49.2/MWh, falling below a previous record low set in April.

Seasonal power curve



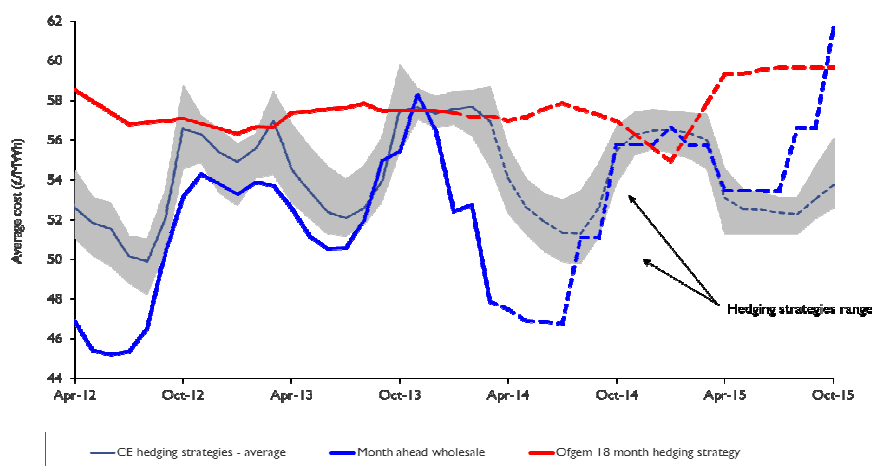
- Summer 15 power was up 1.3% to £49.8/MWh. The contract is now 5.1% lower than last year's level.
- The winter 14 contract remains lower than its summer 15 counterpart as high gas supplies and low demand forecasts continue to weigh.

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:

13/06/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	13 Jun 14	40.00	57.50	37.55	49.48	79.85	5.68	114.20
Last week	6 Jun 14	37.10	56.83	37.65	48.78	80.00	5.53	108.98
Last month	16 May 14	44.30	58.68	39.75	49.73	83.00	4.79	108.96
Last year	14 Jun 13	61.20	66.60	46.90	53.70	87.00	4.52	104.49
Year-on-year % change		(35%)	(14%)	(20%)	(8%)	(8%)	26%	9%
Year high		71.95	67.90	58.30	54.63	87.95	7.22	116.17
Year low		36.50	56.48	36.00	48.65	79.55	4.00	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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