

Energy Wholesale Market Review

Week Ending 20th June 2014



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Headlines

Concerns about instability in Iraq and Ukraine affecting fossil fuel supplies were outweighed by lower demand and high storage supplies. The annual October 14 gas contract inched 0.3% upwards to 57.7p/th but the annual October 14 baseload power contract dipped 0.3% to £49.3/MWh. Day-ahead prices were influenced by comfortable supplies and lower summer demand. Day-ahead gas fell 2.9% and day-ahead power dropped 4.8% to £35.8/MWh. The annual clean spark spread was down 5% on falling power prices while the annual clean dark spread rose 1.1% and is now at a £13.4/MWh premium to the spark spread. Month-ahead Brent crude oil reached a nine-month high of \$114.7/bl on Friday as fighting in Iraq began to affect oil production facilities, raising concerns about security of supply. Annual API coal prices continued to fall on strong stockpiles and good supplies, the contract dropped to \$79.0/t on Friday.

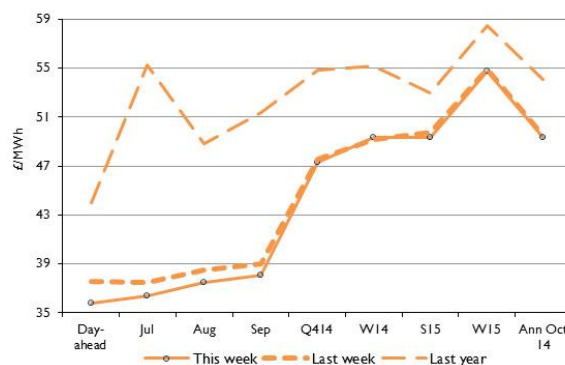
Baseload electricity

- Lower demand and low coal prices overshadowed the rise in oil and the seasonal gas contracts.
- Annual October 14 baseload power dropped 0.3% to £49.3/MWh.
- The fall in day-ahead gas fed through into the baseload power contract which dropped 4.8% to £35.8/MWh. The contract is now 5% below last month.

Annual October contract



Forward curve comparison



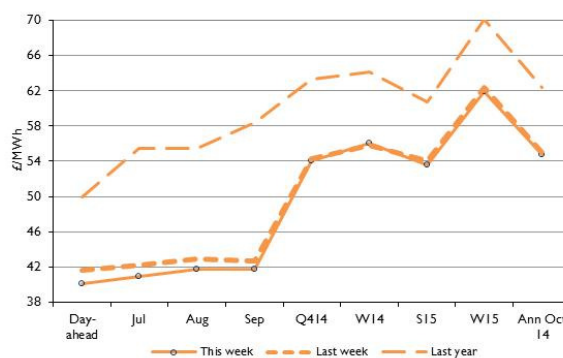
Peak electricity

- 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



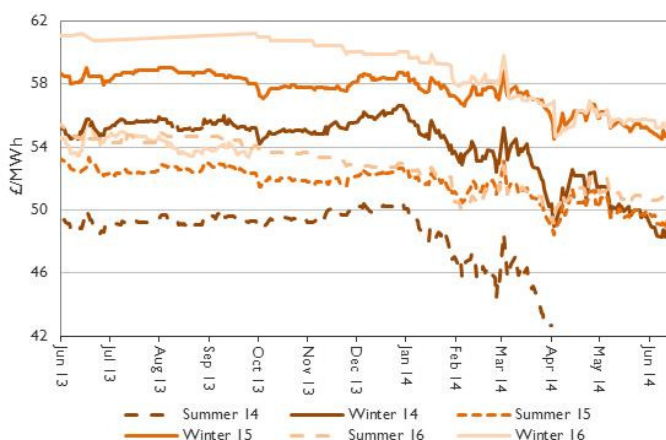
Forward curve comparison





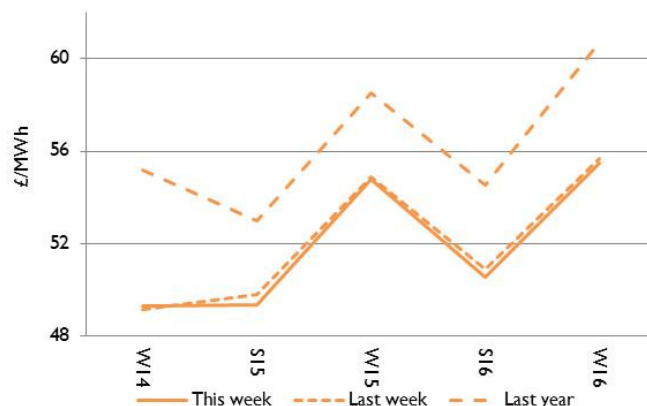
Seasonal power prices

Seasonal power contracts



- Despite the rise in oil and gas, winter seasonal power contracts dipped 0.8% on average.
- Winter 14 power climbed 0.3% to £49.3/MWh, and is now 10.7% lower than last year.

Seasonal power curve



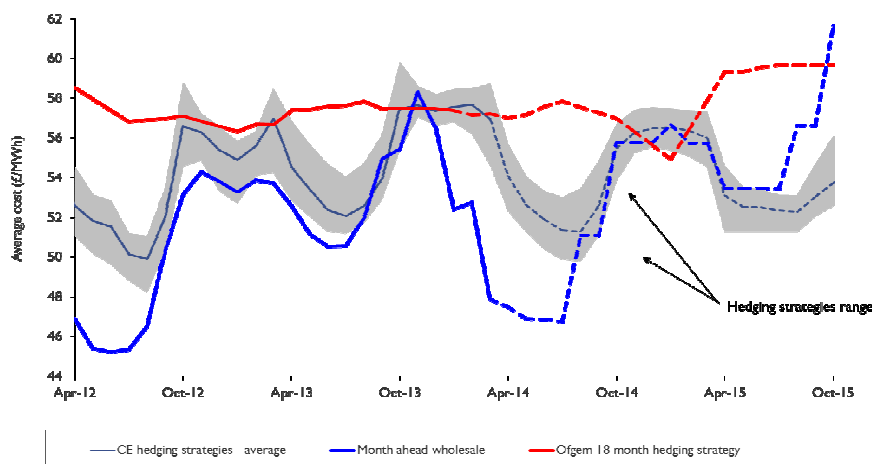
- Summer 15 power was down 0.9% to £49.4/MWh. The contract is now 6.9% lower than last year's level.
- The winter 14 contract remains lower than its summer 15 counterpart as high gas supplies and low demand forecasts continue to weigh.

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:

20/06/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	20 Jun 14	38.85	57.68	35.75	49.33	79.00	5.61	114.69
Last week	13 Jun 14	40.00	57.50	37.55	49.48	79.85	5.68	114.20
Last month	23 May 14	45.45	59.00	37.65	50.00	83.00	5.23	110.38
Last year	21 Jun 13	57.90	66.90	44.00	54.10	86.45	4.55	102.66
Year-on-year % change		(33%)	(14%)	(19%)	(9%)	(9%)	23%	12%
Year high		71.95	67.53	58.30	54.63	87.30	7.22	116.17
Year low		36.50	56.48	35.65	48.65	79.00	4.00	100.05
<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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