

Energy Wholesale Market Review

Week Ending 27th June 2014



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Headlines

Despite further rises in oil prices, GB electricity and gas contracts returned to downward trends with high gas storage supplies and low demand predictions influencing the falls. The annual October 14 gas contract shed 2.7% to 56.1p/th, a new low, as storage supplies surged 13% higher. Its power counterpart followed the trend, hitting its own record low of £48.3/MWh. In contrast, day-ahead power and gas both rose 1.2% following mid-week supply shortages. The annual clean spark spread was unchanged this week at £4.6/MWh, while the annual clean dark spread fell 6.2% to £16.8/MWh as a result of power prices falling faster than coal. API 2 coal prices fell 0.3% to settle at \$78.5/t, a new four-year low, as further highs were recorded for European stockpiles. In contrast, Brent crude oil prices continued to rise with geopolitical risks in Ukraine, Libya and Iraq adding to security of supply fears. The contract hit a nine-month high of \$115.2/bl on Monday.

Baseload electricity

- Falls in long-term coal and gas prices fed into power prices this week.
- Annual October 14 baseload power dropped 2.1% to £48.3/MWh, the contract is now 10% lower than at this time last year (£53.7/MWh).
- In contrast, the day-ahead was the only power contract to increase, climbing 1.2% to £36.2/MWh following rises in day-ahead gas.

Annual October contract



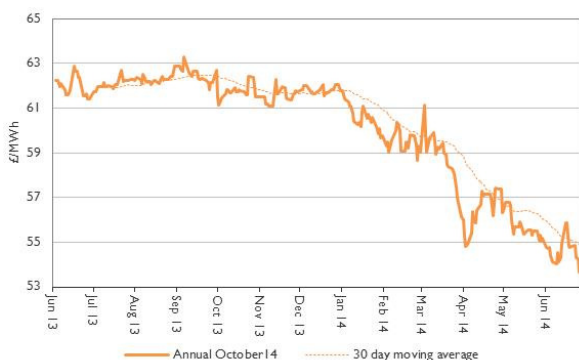
Forward curve comparison



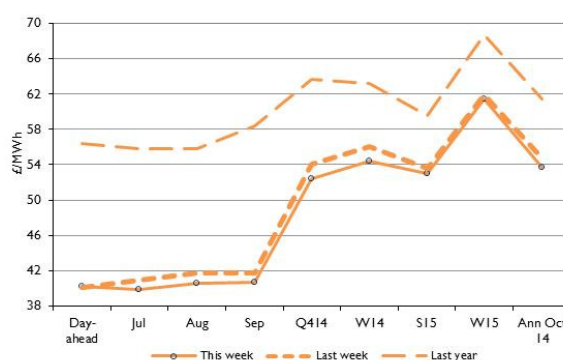
Peak electricity

- Most peak contracts dropped this week, with the exception of day-ahead peak power, which rose 0.4%.
- The annual October 2014 peak power contract shed 2.1% to settle at £53.7/MWh, a new record low.
- Day-ahead peak electricity rose 0.4% to £40.2/MWh on rising demand.
- The contract is now 2.9% below last month and 29% lower than last year's value.

Annual October contract



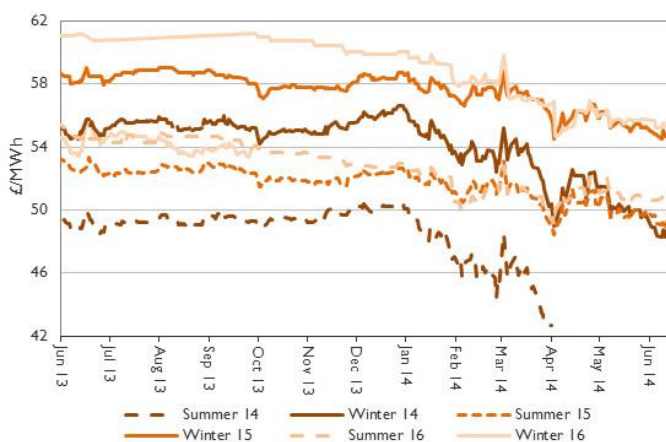
Forward curve comparison





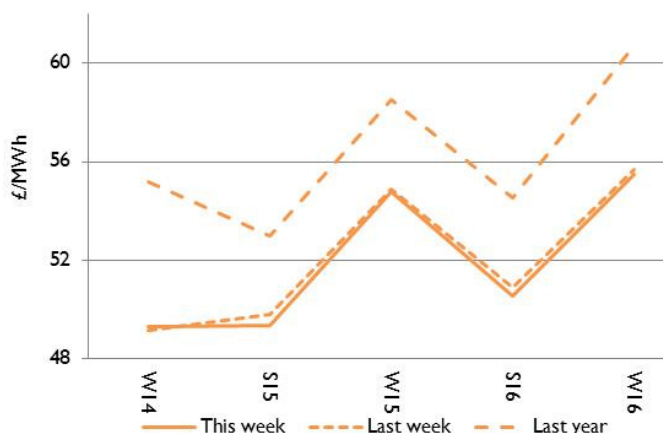
Seasonal power prices

Seasonal power contracts



- Seasonal power contracts followed their gas counterparts lower, with contracts tumbling to new record lows.
- Winter 14 power fell 2.9% to £47.9/MWh, a record low for the contract. This time last year the contract was at £55.1/MWh.

Seasonal power curve



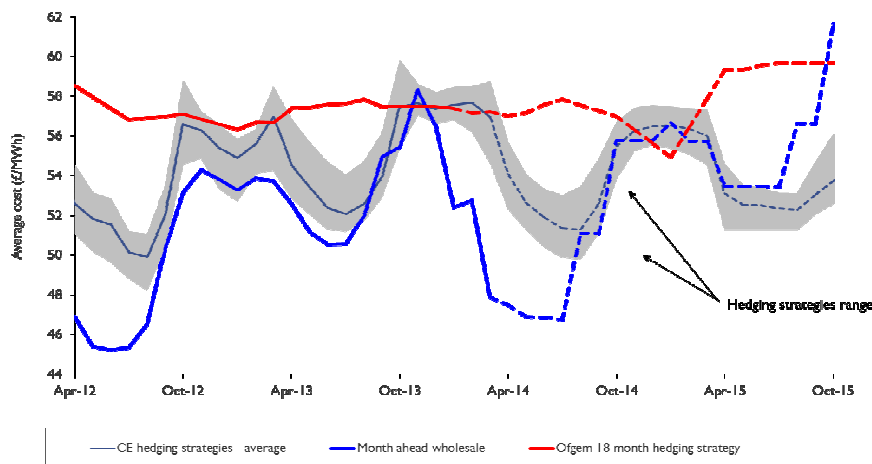
- Summer 15 power was down 1.2% to £48.8/MWh, a new record low. The contract is now 6.7% below its level last year.
- The winter 14 contract remains lower than its summer 15 counterpart. The forward curve is exhibiting steep climbs to 2015 as high gas storage and low demand continue to weigh on the winter 14 contract.

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:

27/06/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	27 Jun 14	39.30	56.10	36.17	48.30	78.65	5.78	113.21
Last week	20 Jun 14	38.85	57.68	35.75	49.33	79.00	5.61	114.69
Last month	30 May 14	42.25	58.53	37.90	49.83	82.45	5.19	109.95
Last year	28 Jun 13	63.60	66.67	47.60	53.70	85.10	4.45	103.06
Year-on-year % change		(38%)	(16%)	(24%)	(10%)	(8%)	30%	10%
Year high		71.95	67.53	58.30	54.63	87.30	7.22	116.17
Year low		36.50	56.10	34.95	48.25	79.55	4.00	102.32

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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