Energy Wholesale Market Review

Week Ending 31st October 2014

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com

Contents

Headlines

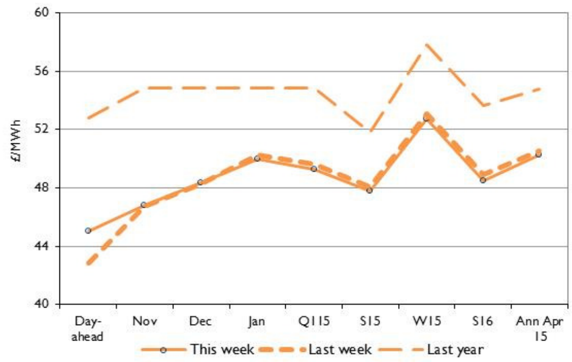
Long-term power and gas prices dipped this week following the continuing falls in commodity prices and a more positive outlook for gas supplies over winter. Short-term gas prices also fell on the back of milder temperatures and a rise in supply. In contrast, day-ahead baseload power reached a 10-month high on Tuesday as wind output fell to 2GW. In spreads, the annual April 15 clean spark spread climbed to £6.9/MWh as gas fell faster than power. In contrast, the clean dark spread dropped 0.7% to £18.9/MWh as power prices fell while coal remained relatively stable. Month-ahead Brent crude oil continued to be stable at a weekly average of $85.8/bl. Prices rose midweek on a statement from the US Federal Reserve, but fell back towards the end of the week on oversupply and a stronger dollar. This helped pull down the annual April 15 gas price by 1.5% to 55.4p/th.

Baseload electricity

- Annual April 15 power shed 0.6% to £50.3/MWh following continuing decreases in gas and coal. Prices are now 2.5% below levels seen last month (£51.6/MWh).
- Despite the expectation of mild temperatures over the weekend, day-ahead power rose 5.0% week-on-week to £45.0/MWh as predicted wind output decreased.

Annual October contract

Forward curve comparison



Peak electricity

- The annual April 15 peak contract fell 0.7% to £55.6/MWh. The contract is now 3.3% lower than last month and 14% below last year's level of £64.4/MWh.
- In contrast, the day-ahead peak power contract rose 9.1% to £53.2/MWh, 20.8% higher than last month.

Annual October contract

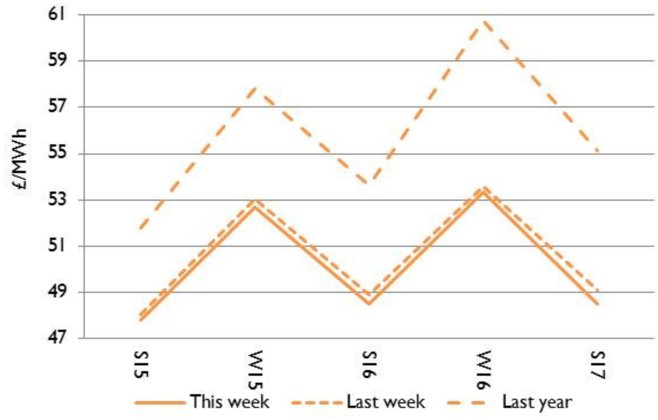
Forward curve comparison

Seasonal power prices

Seasonal power contracts

- Summer 15 power decreased 0.5% to £47.8/MWh compared to the previous week.
- The contract is now 7.7% below its level a year ago.

Seasonal power curve

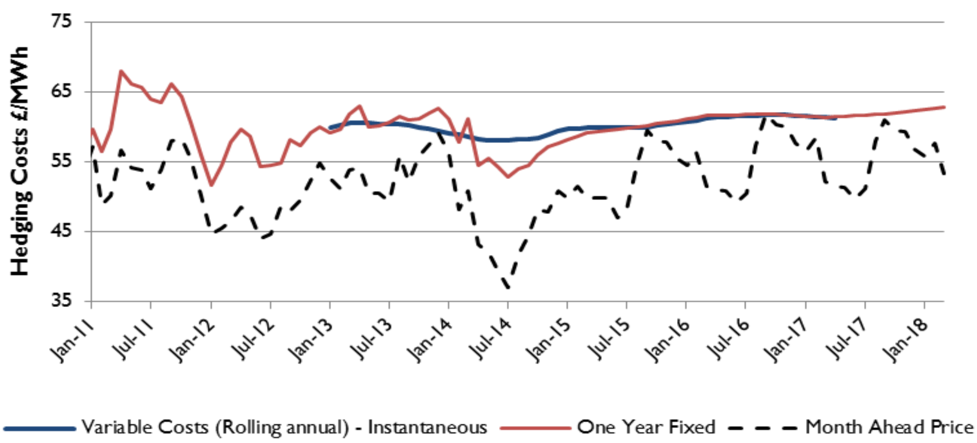


- Winter power contracts were down 0.9% on average compared to last week, and are now 11.0% lower on average than last year.
- Winter 15 power was down 0.7% to £52.7/MWh. The contract is now 8.8% below its level a year-ago.

Supplier hedging strategies

August and the start of September set new trends in the market, as contracts saw month-on-month rises for the first time since February. Security of supply fears have captured market focus over the past six-weeks, with continuing fears over Russian gas supplies and extensions to outages for 3GW of GB nuclear capacity influencing recent rises. Winter 14 power hit £52.2/MWh on 16 September, a five-month high. Despite the rises, month-ahead power prices for August and September have averaged 13% below last year's figure of £47.9/MWh, at £41.7/MWh.

Winter 14 contracts, as expected, have been the most reactive to recent market changes. Further out along the curve, prices continue to factor in a number of political and regulatory interventions. The freezing of the carbon price support from 2016 continues to dampen wholesale prices along the curve, with it expected to reduce prices through lowering costs levied on fossil fuels. It may also allow older coal-fired station to stay on the system longer. Secondly, with Scotland voting to remain part of the UK, a factor in recent higher levels of political risk in the market has been reduced. Wholesale prices may factor this in. However, key risks of political change through the 2015 election and outcomes of the CMA investigation remain.

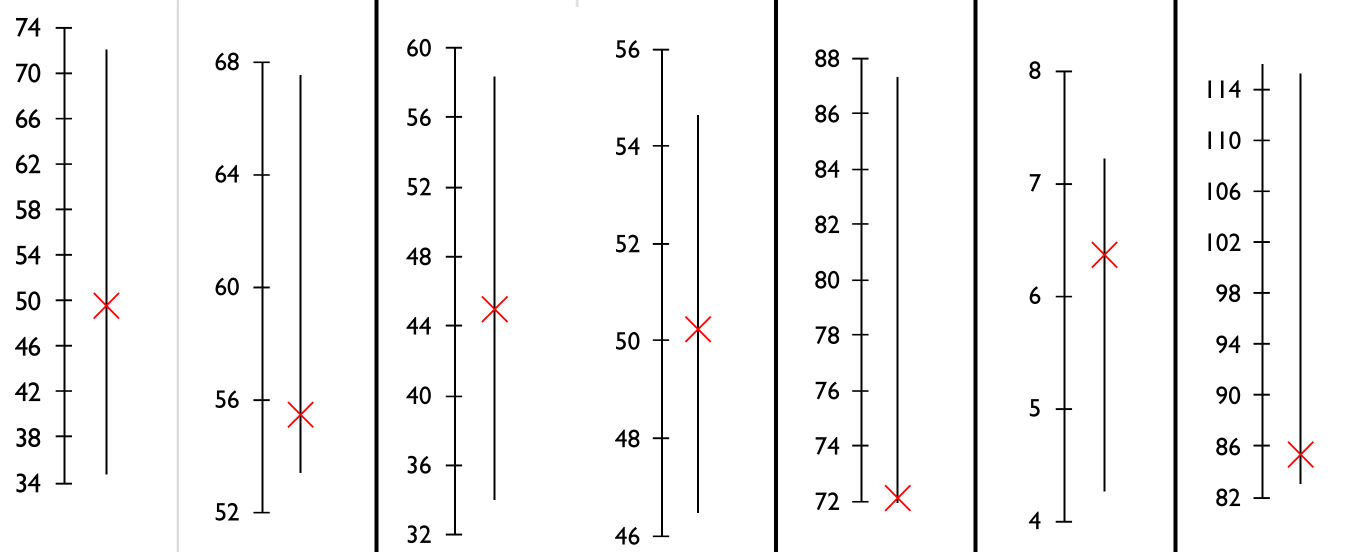


Wholesale price snapshot

Key market indicators: **31/10/2014**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	31 Oct 14	49.50	55.44	45.00	50.25	72.10	6.37	85.33
Last week	24 Oct 14	50.65	56.26	42.85	50.55	73.00	6.38	86.12
Last month	3 Oct 14	51.00	58.53	41.50	51.55	74.70	5.78	92.22
Last year	1 Nov 13	66.50	64.38	52.80	54.80	82.55	4.85	109.21
Year-on-year % change		(26%)	(14%)	(15%)	(8%)	(13%)	31%	(22%)
Year high		71.95	67.53	58.30	54.63	87.30	7.22	115.20
Year low		34.70	53.38	34.00	46.48	71.10	4.27	83.00

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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com