Energy Wholesale Market Review

Week Ending 16th January 2015

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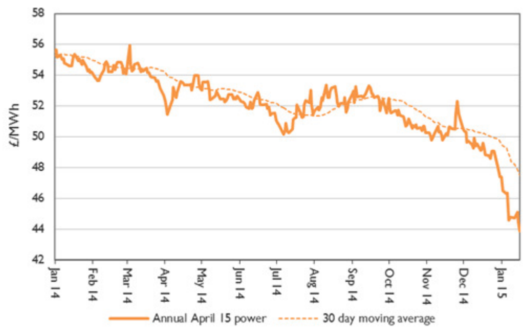
Headlines

Seasonal power and gas contracts hit record lows this week as further weaknesses in commodity markets pulled contracts lower. Long-term gas contracts were down across the board, with the annual April 15 gas contract falling 1.7% this week to 45.8p/th, its lowest recorded level. Its baseload power counterpart followed lower, dropping 2.0% to a record low of £43.9/MWh as weak coal prices continued to influence. Short-term contracts climbed, as outages at all major Norwegian gas fields affected supply. Day-ahead gas gained 3.0% to 47.50p/th as storage levels reduced to 76%. In commodities, coal prices continued on downward trends this week, averaging $60.5/t over the week, a fall of 2.2%. Brent crude oil prices dropped a further 8.6% this week to average $47.5/bl, as production levels remained high despite a global supply glut. Prices began to pick up again at the end of the week, up to $49.5/bl on Friday. EU ETS carbon prices gained 2.3% to average €7.0/t.

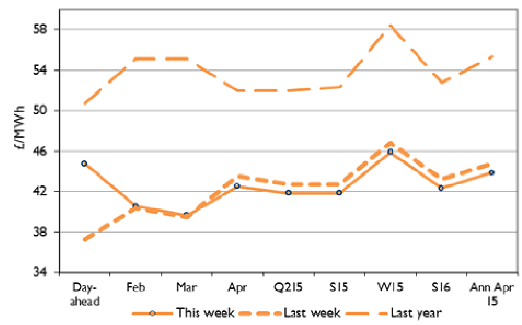
Baseload electricity

- Annual April 15 power fell 2.0% to a record low of £43.9/MWh this week as low coal prices continued to influence. Prices are now over 20.8% below levels seen a year ago
- Near-term baseload power contracts increased this week on the back of colder temperatures. Month-ahead power gained 1.2% to £40.7/MWh.
- Contracts along the curve followed their gas counterparts lower. Following steep falls in the day-ahead market, the Summer 16 power contract is now 16% above the day-ahead price

Annual April contract



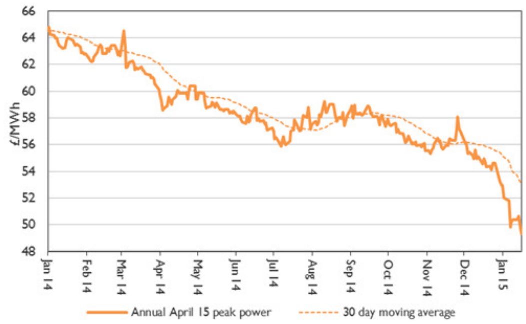
Forward curve comparison



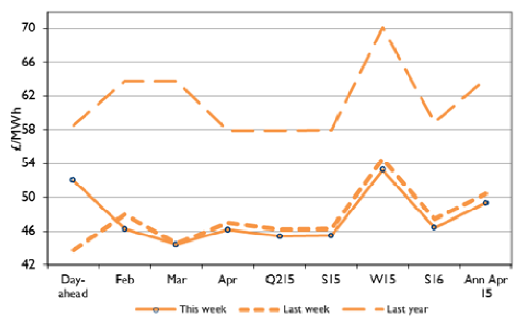
Peak electricity

- The annual April 15 peak contract fell 2.1% to £49.4/MWh, a new low. The contract is now 9.2% lower than last month and 23% below last year's level of £64.0/MWh.
- Month-ahead peak power dropped 3.5% over the week to £46.3/MWh. March 15 peak power dropped 0.2% to £44.4/MWh. The month-ahead peak contract is 14.9% down on last month.

Annual April contract

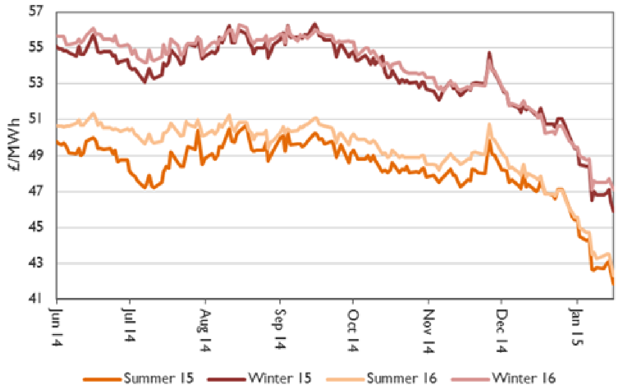


Forward curve comparison

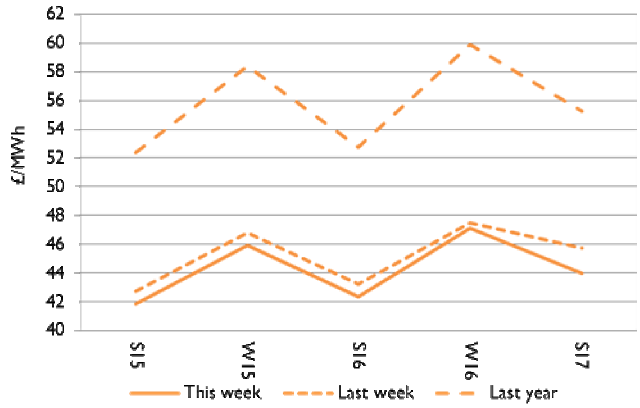


Seasonal power prices

Seasonal power contracts



Seasonal power curve



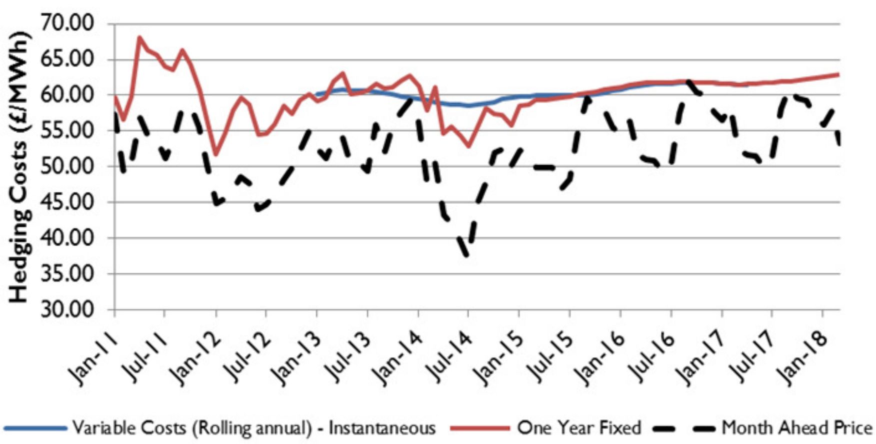
- Seasonal power contracts followed their gas counterparts to record lows this week, and were also influenced by falling coal prices.
- Summer 15 power dropped 0.8% to £42.1/MWh, a record low for the contract and a 20% reduction on levels seen a year ago.
- Winter contracts were also down, as the winter 15 contract dropped 0.9% to £46.1/MWh. The contract is now 21% down on last year.
- The low commodity price outlook has continued to put downward pressure on seasonal prices.

Supplier hedging strategies

Long-term gas contracts were impacted by continued sharp falls in Brent crude oil prices, which dropped as OPEC maintained production levels throughout December, despite falling demand. This left the market in a continued state of oversupply. The GB supply picture remained strong, with gas storage above 90% for the month, owing to below average gas demand and the attractiveness of the NBP to LNG suppliers. Summer 15 gas dropped 3.4% to average 50.1p/th. The annual April contract fell 4.1% to average 53.4p/th.

In December long-term power prices followed the continued falls in oil, coal and gas. The return of nuclear power plant for the rest of the winter demand season also boosted supply margins. Summer 2015 power dropped 1.6% month-on-month to average £47.1/MWh. Annual April 2015 power was down 2.2% to average £49.2/MWh.

December saw the continuation of lower prices, meaning a number of suppliers were able to reduce their fixed price tariff offerings over the month. Some of the larger suppliers were able to offer up to 3% discounts, with E.ON reducing its standard variable gas tariff by 3.5%. Short hedged suppliers are now feeling the benefits of lower prices traded over November and December.

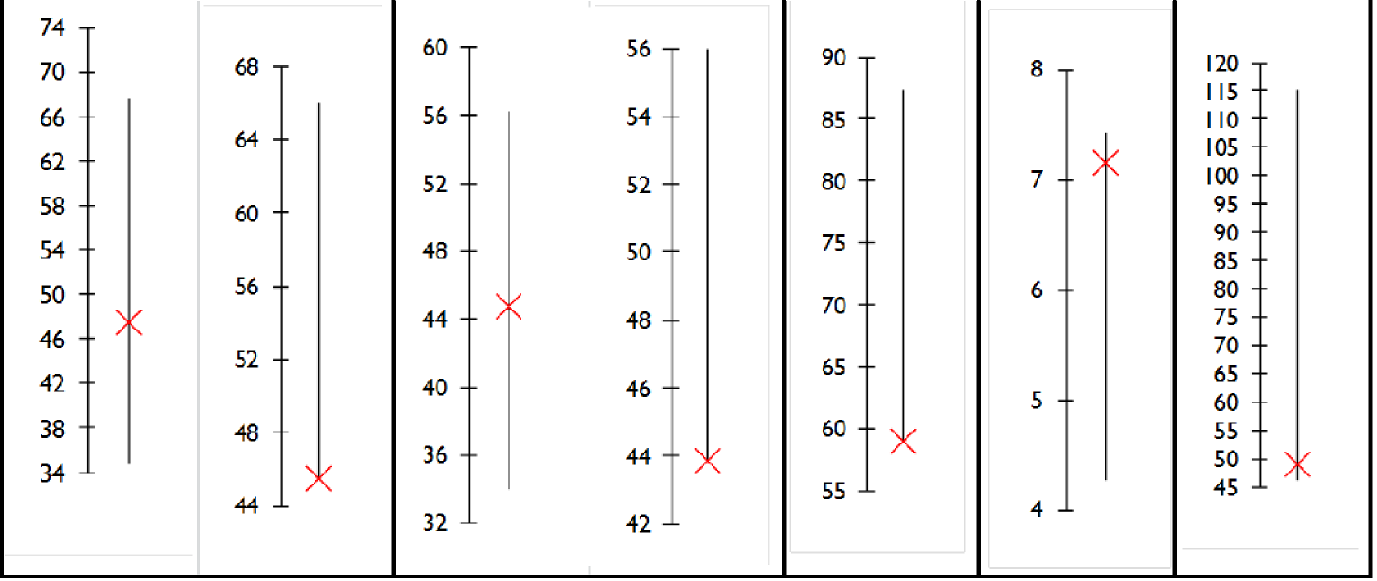


Wholesale price snapshot

Key market indicators: **16/01/2015**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	16 Jan 15	47.50	45.48	44.75	43.88	59.00	7.15	48.98
Last week	9 Jan 15	46.10	47.12	37.30	44.78	59.50	6.79	50.59
Last month	19 Dec 14	52.50	52.54	40.35	48.83	68.00	6.89	59.99
Last year	17 Jan 14	66.00	65.98	50.70	55.38	86.50	5.19	106.05
Year-on-year % change		(28%)	(31%)	(12%)	(21%)	(32%)	38%	(54%)
Year high		67.50	65.98	56.30	55.95	87.30	7.42	115.20
Year low		34.70	45.48	34.00	43.88	59.00	4.27	45.98

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 ine.



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 14 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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