

Energy Wholesale Market Review

Week Ending 30th January 2015



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Contents

Baseload electricity	3
Peak electricity	3
Seasonal power prices	4
Supplier hedging strategies	4
Wholesale price snapshot	5
About EDW Technology Limited	6



Headlines

Seasonal gas contracts reversed recent bearish trends this week despite a continued weak outlook in the commodity market. Long-term gas contracts were up across the board, with the annual April 15 gas contract gaining 2.1% this week to 46.0p/th. Its baseload power counterpart followed higher, increasing 0.2% to £43.9/MWh this week despite further falls in coal prices. Short-term contracts reversed last week's falls, as supply issues in Norway and an unplanned nuclear outage at Heysham forced prices higher. Day-ahead gas climbed 6.1% to 47.8p/th and day-ahead power gained 12.4% to £42.7/MWh. In commodities, API 2 coal prices continued on a downward trend this week, averaging \$58.9/t over the week, a fall of 0.1%. Brent crude oil prices lost 0.5% this week to \$48.57/bl and are on track for seventh consecutive monthly decline. The falls were influenced by record US stockpiles, emphasising the continued global supply glut.

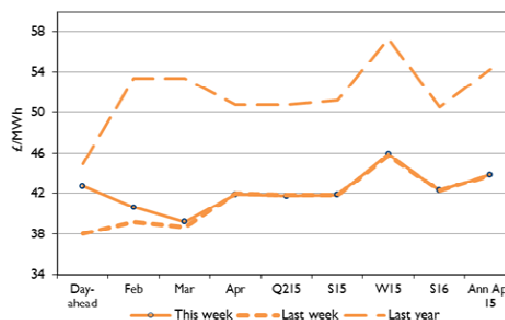
Baseload electricity

- Annual April 15 power fell 0.2% to a record low of £43.8/MWh this week as further falls in coal and gas prices continued to influence. Prices are now over 20.4% below levels seen a year ago.
- Near-term baseload power contracts increased this week due to an unplanned outage at a nuclear site. Day-ahead power was up 12.1% to £42.7/MWh. Month-ahead power climbed 3.7% to £40.7/MWh.
- Contracts along the curve saw little changes despite the increases in gas prices and the day-ahead market. The Summer 16 power contract is now 0.9% below the day-ahead market.

Annual April contract



Forward curve comparison



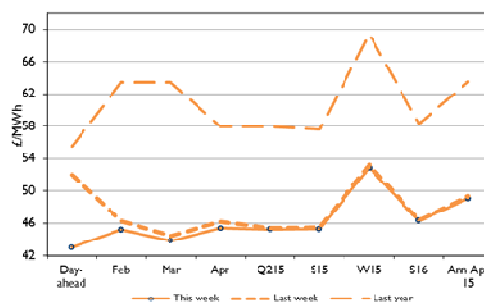
Peak electricity

- The annual April 15 peak contract fell 0.1% to £49.1/MWh, a new low. The contract is now 5.8% lower than last month and 22% below last year's level of £62.8/MWh.
- Month-ahead peak power increased 3.1% over the week to £46.6/MWh. March 15 peak power rose 1.1% to £44.4/MWh. The month-ahead peak contract is 6.8% down on last month.

Annual April contract



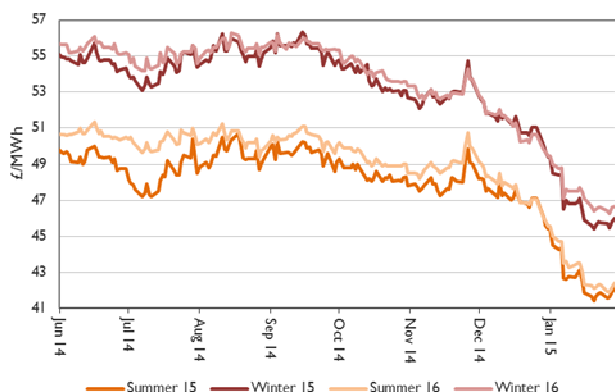
Forward curve comparison





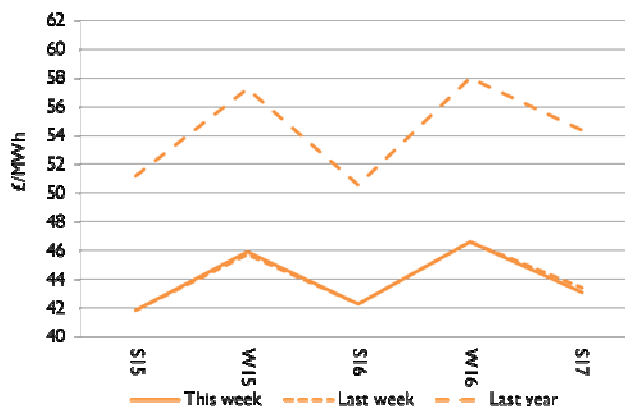
Seasonal power prices

Seasonal power contracts



- Seasonal power contracts remained relatively unchanged this week as weak coal prices kept the contracts low.
- The Summer 15 contract ended the week unchanged, remaining at £41.9/MWh, down 18.3% on levels seen a year ago.

Seasonal power curve



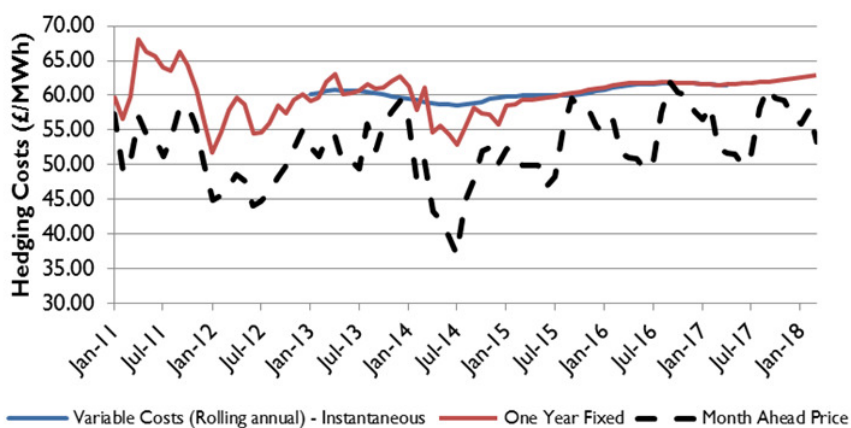
- Winter contracts climbed, as the winter 15 contract gained 0.3% to £45.9/MWh. The contract is now 19.8% down on last year.
- Increases in seasonal power contracts remain minimal due to the weak commodity outlook.

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. All of the Big Six have been able to offer price discounts, as have some of the smaller suppliers including OVO Energy and Spark Energy. Some of the larger suppliers were able to offer up to 3% discounts, with E.ON, British Gas, Scottish Power and nPower all reducing their standard variable gas tariffs by at least 3.5%. Short hedged suppliers are now feeling the benefits of lower prices traded over November and December.





Wholesale price snapshot

Key market indicators:

30/01/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/b1)
This week	30 Jan 15	47.75	46.03	42.70	43.88	59.25	7.05	48.91
Last week	23 Jan 15	45.00	45.11	38.00	43.80	58.75	6.92	49.01
Last month	2 Jan 15	47.40	48.61	40.75	46.50	65.50	7.17	57.14
Last year	31 Jan 14	61.20	64.13	44.90	54.23	83.50	5.73	107.74
Year-on-year % change		(22%)	(28%)	(5%)	(19%)	(29%)	23%	(55%)
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 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 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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