Energy Wholesale Market Review

Week Ending 13th February 2015

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Headlines

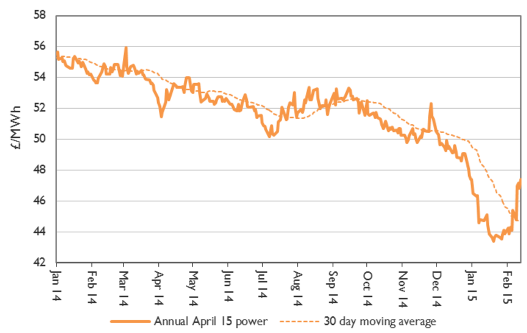
Prompt power and gas contracts saw increased volatility this week as peace talks in Ukraine influenced markets. Below seasonal normal temperatures and low wind generation combined to push day-ahead prices up. Day-ahead gas climbed 11.1% to 54.75p/th and its power counterpart gained 3.5% to £44.00/MWh. Long-term gas contracts were up across the board, as short-term prices and bullish commodity markets influenced. The annual April 15 gas contract gained 7.2% this week to 51.8p/th. Its baseload power counterpart followed higher, rising 4.4% to £47.4/MWh. In commodities, coal prices continued to recover, averaging $63.0/t over the week. Month-ahead Brent crude oil prices gained 3.1% on news of industry spending cuts, which could curb excess supply. Prices rose above $60/bl for the first time since December this week as a weakened dollar supported prices.

Baseload electricity

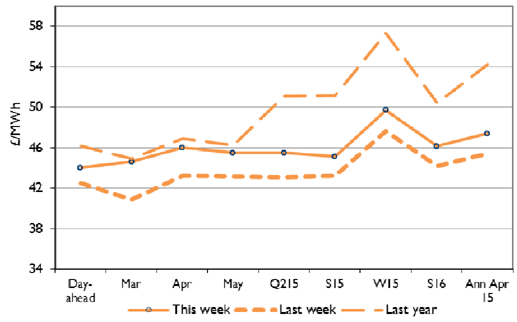
- Annual April 15 power rose 4.4% to £47.4/MWh this week as increases in gas prices and short-term power contracts influenced. Prices are now 12.6% below levels seen a year ago.

- Near-term baseload power contracts increased this week due low wind generation. Day-ahead power was up 3.5% to £42.7/MWh. Month-ahead power climbed 9.0% to £44.6/MWh.
- Contracts along the curve followed their gas counterparts higher. The Summer 16 power contract is now 4.9% above the day-ahead market.

Annual April contract



Forward curve comparison

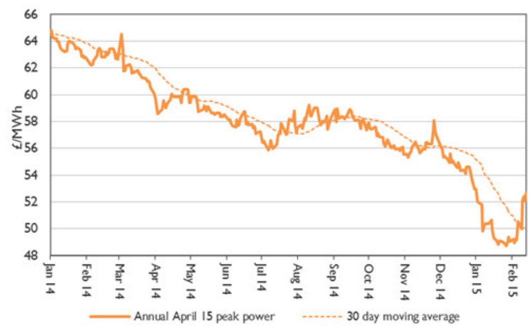


Peak electricity

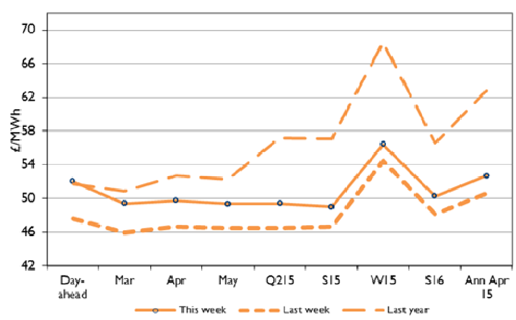
- The annual April 15 peak contract gained 4.3% to £52.7/MWh. The contract is now 6.8% higher than last month but 16% below last year's level of £62.8/MWh.

- Month-ahead peak power increased 7.6% over the week to £49.4/MWh. April 15 peak power rose 6.8% to £49.8/MWh. The month-ahead peak contract is 11.3% up on last month.

Annual April contract

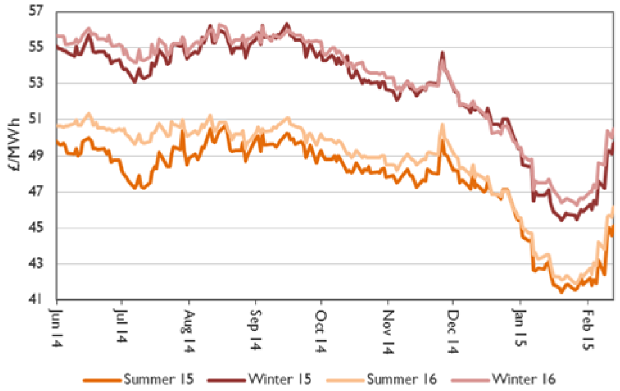


Forward curve comparison

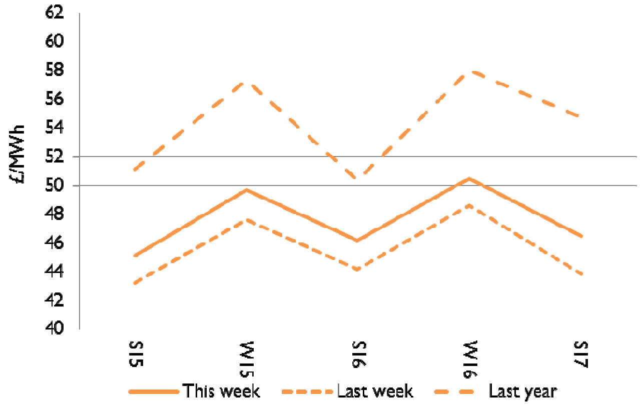


Seasonal power prices

Seasonal power contracts



Seasonal power curve



- Seasonal power contracts followed their gas counterparts higher this week.
- The Summer 15 contract ended the week 4.4% higher, at £45.1/MWh, down 11.8% on levels seen a year ago.
- Winter contracts also climbed, as the winter 15 contract gained 4.4% to £49.7/MWh. The contract is now 13.3% down on last year.
- Increases in seasonal power contracts were due to increases in commodity markets this week.

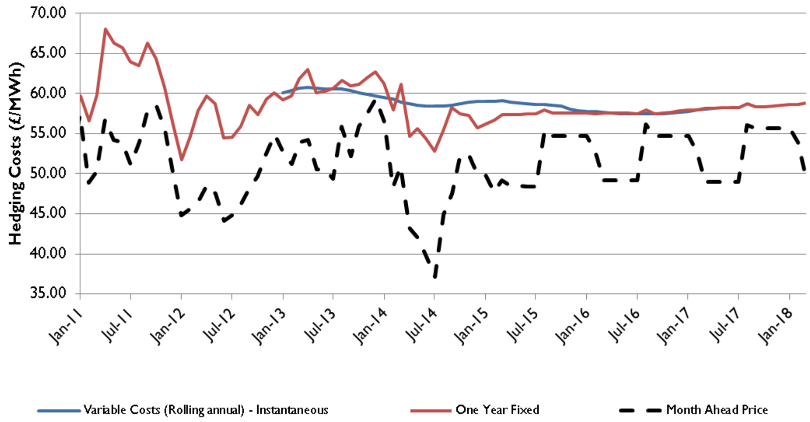
Supplier hedging strategies

With oil prices recovering from their recent lows, gas and power prices also saw gains. The annual summer 15 gas prices have now climbed 2% from their recent low of 46.0p/th. Annual baseload power contracts have also increased 9% from the recent low of £43.6/MWh.

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%.

The Big Six are unlikely to decrease their electricity tariffs as a result of the increase in the Carbon price support rate which is due to take effect from April 2015. This will increase the cost of generation from their thermal power stations, by around £3/MWh for gas-fired power stations and £8/MWh for coal fired power stations.

With power and gas prices recovering shorter-hedged suppliers are likely to now withdraw their lowest tariffs from the market.

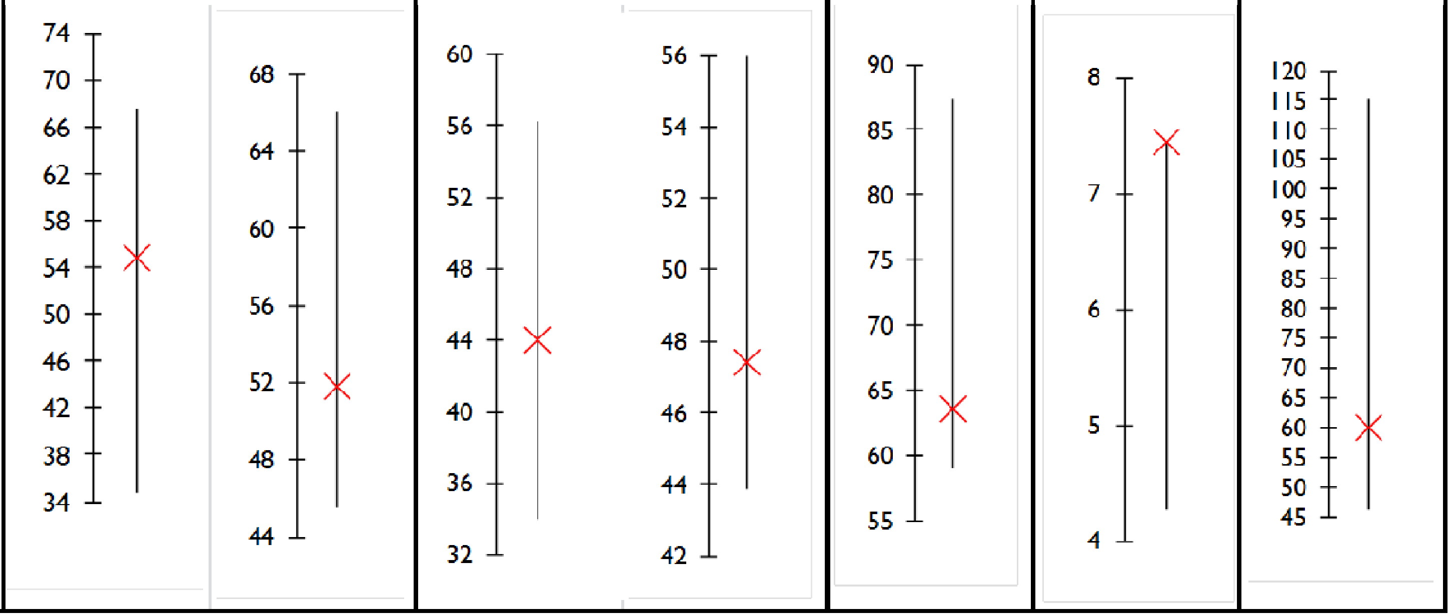


Wholesale price snapshot

Key market indicators: **13/02/2015**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	13 Feb 15	54.75	51.77	44.00	47.40	63.50	7.44	60.03
Last week	6 Feb 15	49.30	48.28	42.50	45.40	63.50	7.02	58.06
Last month	16 Jan 15	47.50	45.48	44.75	43.88	59.00	7.15	48.98
Last year	14 Feb 14	58.25	63.90	46.15	54.23	81.60	6.44	108.35
Year-on-year % change		(6%)	(19%)	(5%)	(13%)	(22%)	16%	(45%)
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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