

# Energy Wholesale Market Review

Week Ending 22<sup>nd</sup> May 2015



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## Headlines 22/05/2015

The annual October 15 power contract decreased 1.7% from last week to £44.0/MWh, following the annual gas contract and coal prices downwards. The annual October 15 gas contract declined 2.5% to 45.9p/th. All gas contracts along the forward curve dropped with a healthy supply outlook. The day-ahead contract was down 5.3% to 42.6p/th as rising temperatures resulted in lower demand. Dutch and Belgian power prices saw large decreases this week as high imports from France and Germany, as well as an outage on the Britned interconnector, resulted in oversupply. The annual October 15 clean dark spread was 4.5% less at £8.7/MWh as the fall in the annual power contract exceeded the reduction in coal price. The corresponding clean spark spread gained 3.8% to £3.9/MWh as the loss in the gas contract outweighed the slide in the annual power contract. Brent crude oil was down 1.5% this week as the market remains oversupplied.

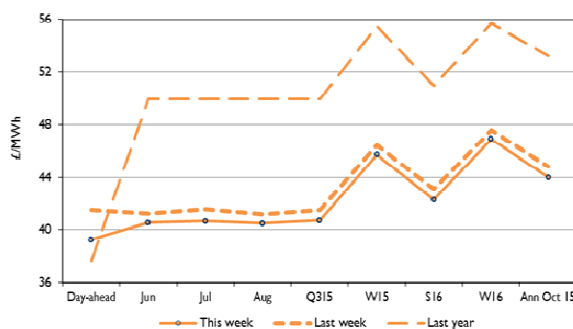
### Baseload electricity

- Annual October 15 power decreased 1.7% from last week to £44.0/MWh. It is now 1.8% below its level a month ago.
- All power contracts along the forward curve declined this week, following lower gas and coal prices.
- The day-ahead power contract lost 5.4% this week to £39.3/MWh and is now 7.6% less than its price a month ago.

Annual October contract



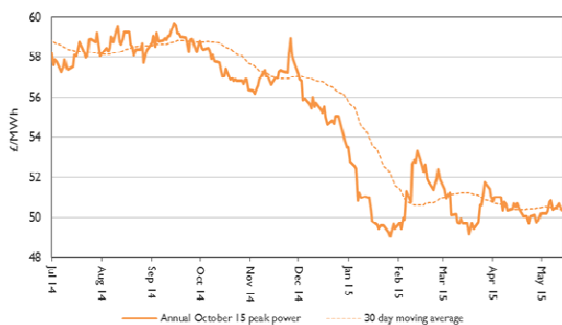
Forward curve comparison



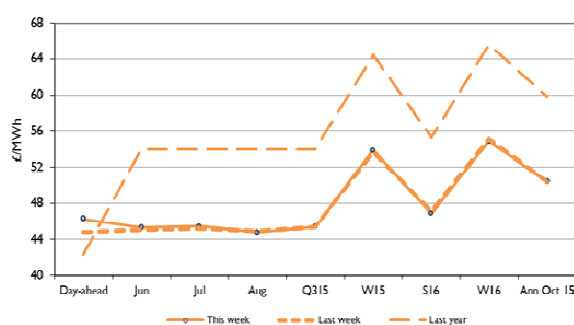
### Peak electricity

- The annual October 15 peak contract reduced by 1.7% this week to £49.6/MWh. The contract is 1.0% below its price last month and 16.5% below its price last year.
- Day-ahead peak power was 10.8% lower at £41.3/MWh this week and is now 9.2% lower than its price last year.
- The winter 15 contract declined 1.9% to £52.9/MWh.

Annual October contract



Forward curve comparison



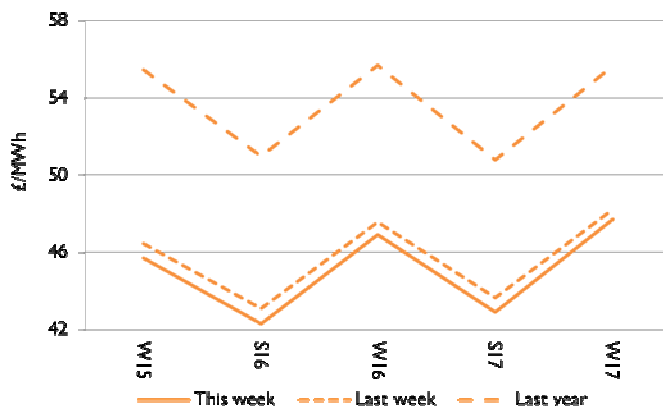


## Seasonal power prices

Seasonal power contracts



Seasonal power curve



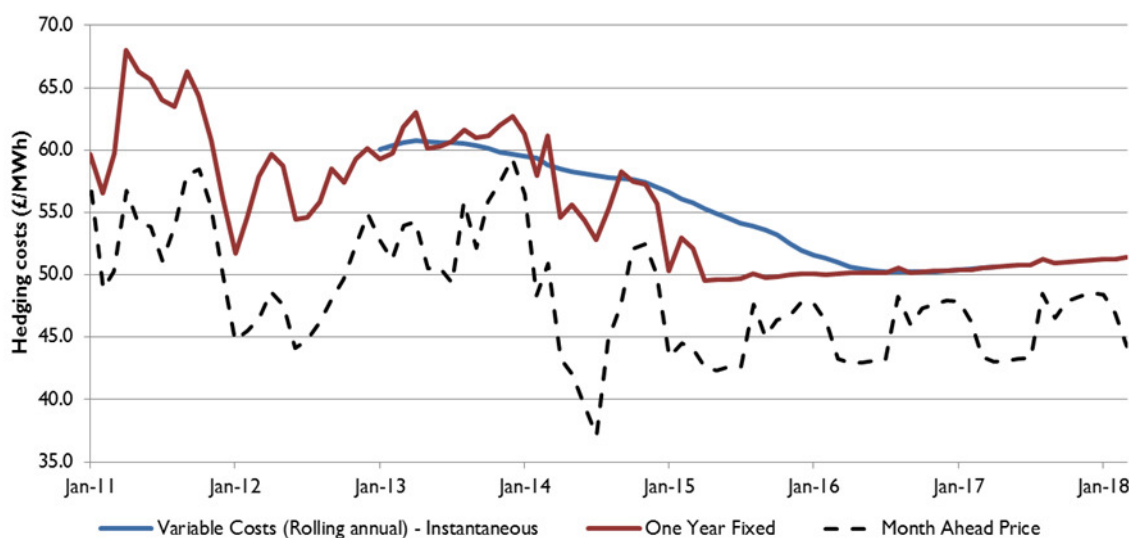
- All seasonal contracts decreased this week under the influence of their gas counterparts.
- The winter 15 contract slipped 1.6% to £45.7/MWh and is now 17.6% below its level last year (£55.5/MWh).
- The summer 16 contract declined 2.6% to £42.3/MWh and is now 17.0% under its level last year (£51.0/MWh).

## Supplier hedging strategies

The annual October 15 power contract was relatively stable in April, with an overall increase of just 0.3%. A decrease in the annual gas contract (-3.1%) was offset by gains in coal and carbon prices (up 2.5% and 6.5% respectively).

Most suppliers reduced their fixed tariffs in April, with lower prices seen at LoCO2 (-9.7%), Extra Energy (-1.6%), Scottish Power (-4.0%), nPower (-0.5%), First Utility (-1.1%), and Ovo (-3.4%). The only supplier to increase their tariffs was Green Star Energy (+1.5%).

The reduction in gas prices has allowed suppliers to offer lower fixed term deals. Those offering lower prices on fixed term deals are likely to be shorter hedged, while flat variable tariffs are likely to be hedged in the longer-term.





## Wholesale price snapshot

Key market indicators:

22/05/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	22 May 15	42.60	45.86	39.25	44.00	56.80	7.32	65.96
Last week	15 May 15	45.00	47.05	41.50	44.78	58.10	7.57	66.50
Last month	24 Apr 15	45.30	47.06	42.50	44.80	57.25	7.33	65.46
Last year	23 May 14	45.45	61.23	37.65	53.20	83.00	5.23	110.38
Year-on-year % change		(6%)	(25%)	4%	(17%)	(32%)	40%	(40%)
Year high		60.20	61.23	56.30	53.75	83.00	7.75	115.20
Year low		34.70	45.04	34.00	43.68	55.40	5.02	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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