Energy Wholesale Market Review

Week Ending 27th February 2015

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

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

Contents

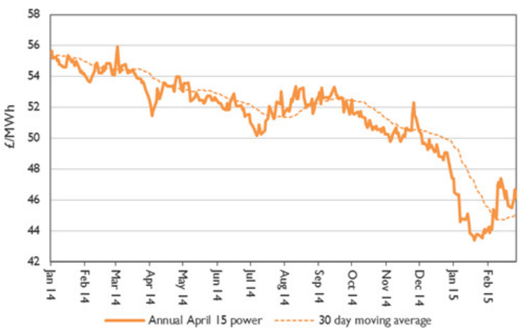
Headlines

Short-term power and gas contracts were mixed this week. Day-ahead gas climbed 5.1% to reach 52.7p/th as tensions between Russia and Ukraine influenced the market. Meanwhile, the prompt power contract was near-unchanged at £42.5/MWh this week, despite an increase in temperatures and wind generation. Long-term contracts were also mixed as small changes in commodity markets had little effect. Summer 15 gas gained 2.6% to 47.4p/th, with its power counterpart increasing 1.6% to £44.0/MWh. In commodities, Brent crude oil dropped 0.9% to average $60.3/bl over the week despite comments from Saudi Arabia's oil minister suggesting that demand was on the rise. Carbon prices declined 2.0% despite a vote in the European Parliament by the environment committee this week backing the early implementation of the Market Stability Reserve.

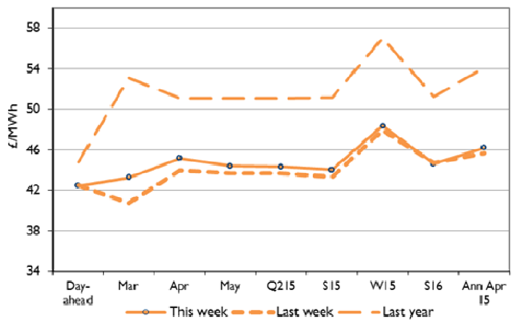
Baseload electricity

- Annual April 15 power increased 1.2% to £46.2/MWh this week as the rises in seasonal gas prices fed into power contracts. Prices are now 14.6% below levels seen a year ago.
- Near-term baseload power contracts fell this week despite an increase in wind generation.
- Day-ahead power was down 0.1% to £42.5/MWh. Month-ahead power was up 6.3% to £43.3/MWh.
- Most contracts along the curve followed their gas counterparts lower. The Summer 16 power contract is now 5.1% above the day-ahead market.

Annual April contract



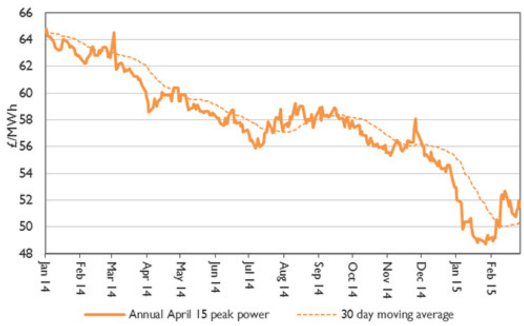
Forward curve comparison



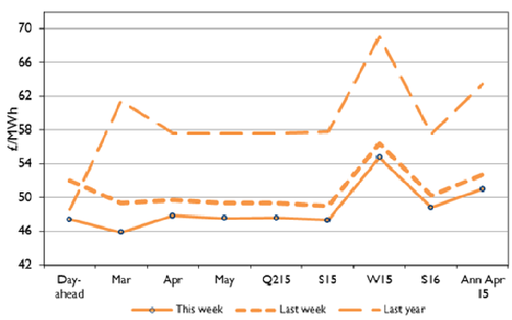
Peak electricity

- The annual April 15 peak contract climbed 1.0% to £51.6/MWh. The contract is now 5.1% higher than last month but 18% below last year's level of £62.7/MWh.
- Month-ahead peak power gained 5.5% over the week to £48.4/MWh. April 15 peak power rose 2.9% to £49.3/MWh. The month-ahead peak contract is 8.6% up on last month.

Annual April contract

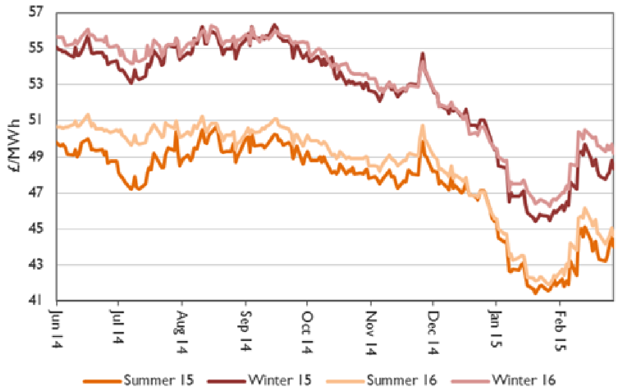


Forward curve comparison

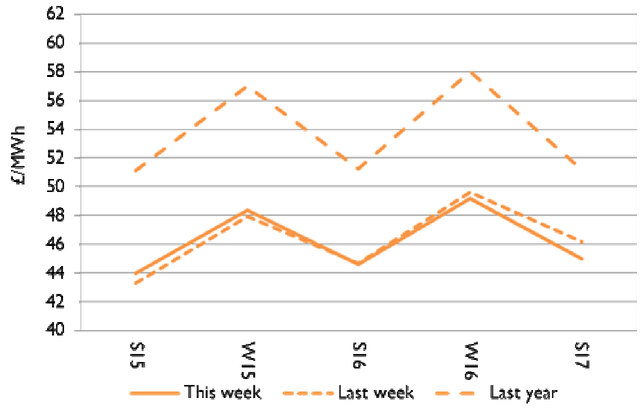


Seasonal power prices

Seasonal power contracts



Seasonal power curve



- Most seasonal power contracts followed their gas counterparts higher this week.
- The Summer 15 contract ended the week 1.6% higher, at £44.0/MWh, down 14.0% on levels seen a year ago.
- Winter contracts also climbed, as the winter 15 contract gained 0.8% to £48.4/MWh. The contract is now 15.2% down on last year.
- Seasonal power contracts were up despite slight falls in coal and carbon prices.

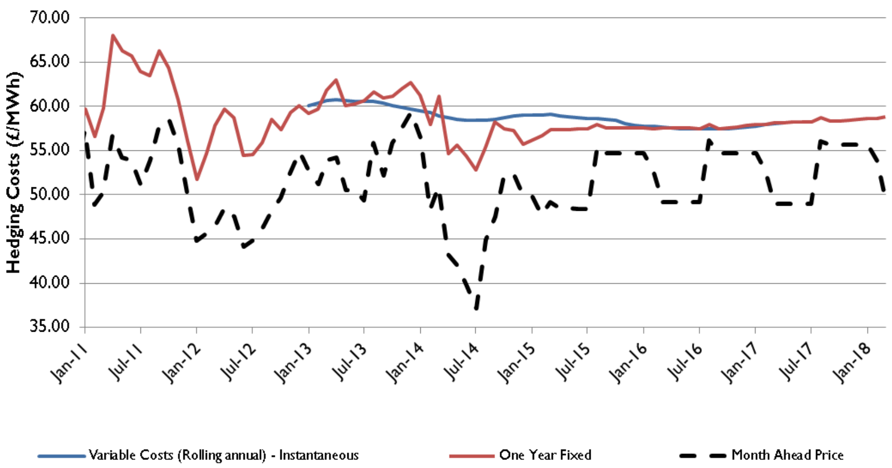
Supplier hedging strategies

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.

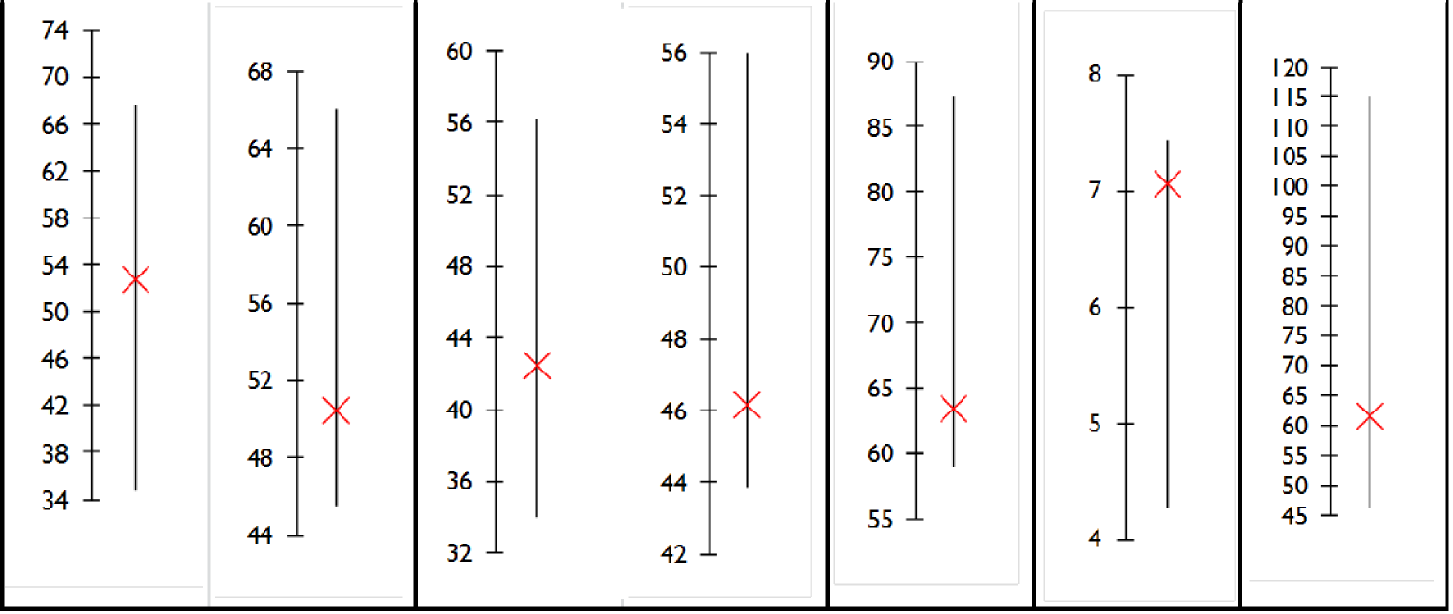


Wholesale price snapshot

Key market indicators: 27/02/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	27 Feb 15	52.70	50.48	42.45	46.18	63.40	7.05	61.42
Last week	20 Feb 15	49.75	49.38	42.50	45.63	61.25	7.38	59.96
Last month	30 Jan 15	47.75	46.03	42.70	43.88	59.25	7.05	48.91
Last year	28 Feb 14	56.45	62.88	44.75	54.08	80.50	6.70	108.65
Year-on-year % change		(7%)	(20%)	(5%)	(15%)	(21%)	5%	(43%)
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.

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