Energy Wholesale Market Review

Week Ending 1 May 2015

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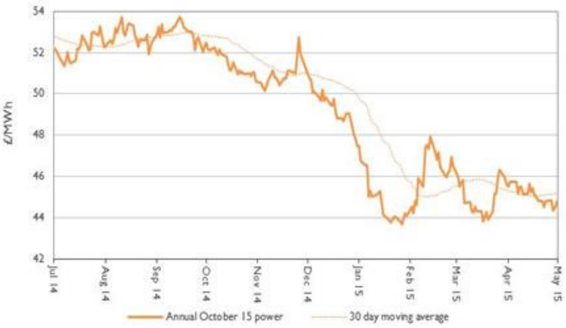
Headlines 01/05/2014

Shorter-term power contracts decreased this week, as a comfortably supplied gas system and a two-fold increase in wind generation helped lower prices. Day-ahead power dropped to a four-week low of £41.0/MWh, while day-ahead gas shed 1.7% to 44.6p/th. Longer-term contracts were more mixed. Winter 15 gas dropped 0.2p/th to 49.3p/th as the medium-term supply outlook remained comfortable. However, the falls did not translate into winter 15 power, which was pushed higher by rising coal and carbon prices, as commodities continued their bullish momentum this week. EU ETS carbon prices hit a 10-week high of €7.5/t as member states agreed to negotiate on a 2019 start date for proposed market reforms, while Brent crude oil prices also climbed 3.5% over the week to reach a 2015 high of $66.4/bl. Prices rose following news of reducing oil inventories in the US. The 20% gains through April represent the largest monthly rise in six years.

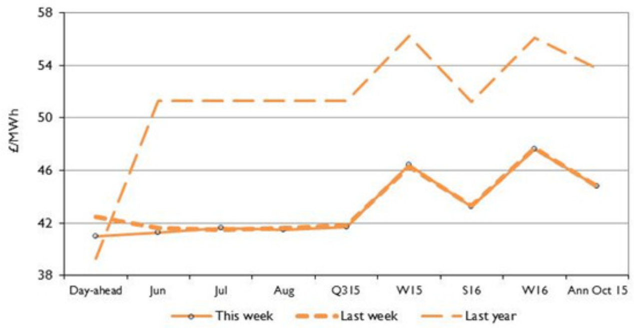
Baseload electricity

- Annual October 15 power was unchanged this week at £44.8/MWh. The contract is now 2% below its levels last month (£45.7/MWh) and 16.6% below its levels last year (£53.7/MWh).
- Day-ahead power fell 3.5% this week to a four-week low of £41.0/MWh as wind generation was over double last week's level.
- The forward curve was more mixed. The comfortable summer supply picture influenced falls in monthly contracts, while increasing commodity prices pushed up some longer-term contracts.

Annual October contract



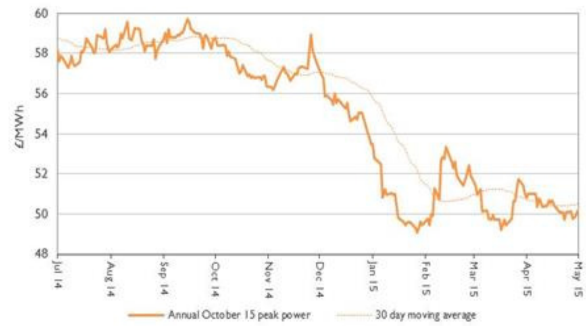
Forward curve comparison



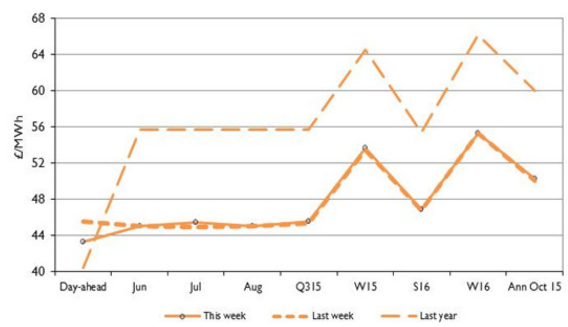
Peak electricity

- The annual October 15 peak contract gained 0.3% this week to £50.2/MWh. The contract is now 16.3% below its level last year
- Day-ahead peak power decreased 4.8% this week to a four-week low of £43.3/MWh as higher wind generation and expected low public holiday demand influenced.
- The forward curve was mixed. Month-ahead peak power dropped 0.1% to £45.0/MWh, while winter 15 power gained 0.4% to £53.6/MWh.

Annual October contract

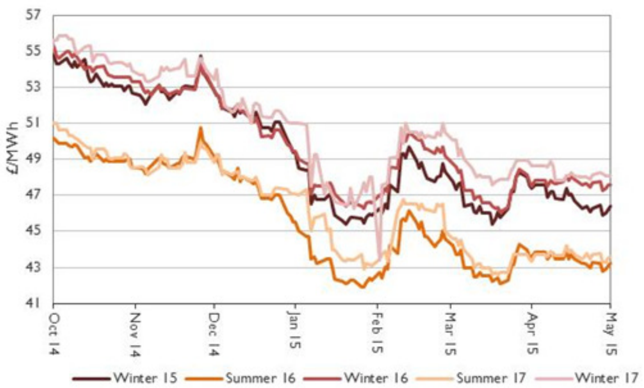


Forward curve comparison



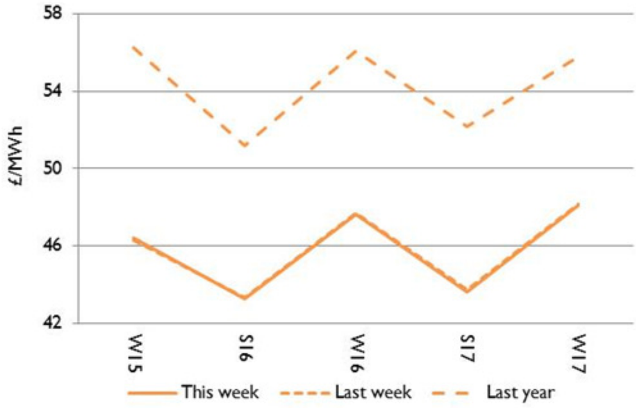
Seasonal power prices

Seasonal power contracts



- Most seasonal power contracts followed the falls seen in gas contracts this week, which outweighed rises in coal, carbon and oil prices.

Seasonal power curve



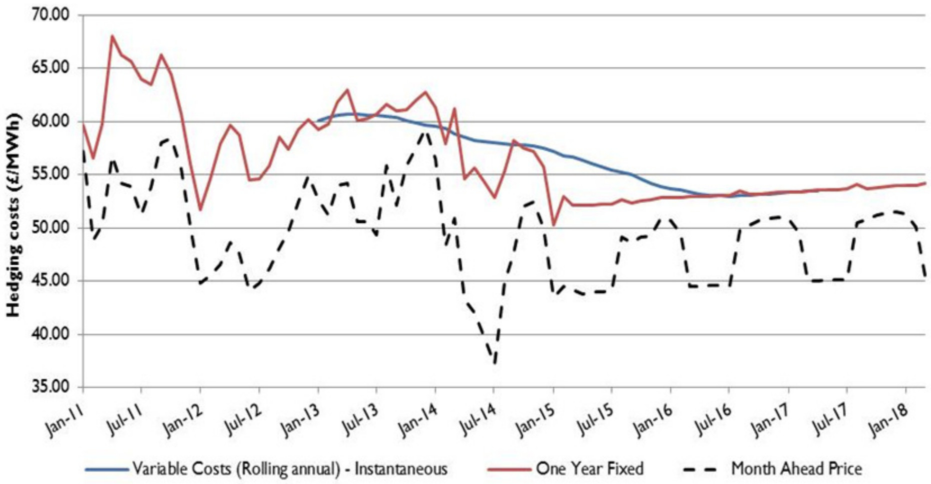
- The winter 15 contract was the exception, rising 0.2% to average £46.4/MWh.
- Summer 16 power dropped 0.1% to £43.3/MWh and the winter 16 contract fell 0.2% to reach £47.6/MWh. Both contracts are now 15% below their levels a year earlier.

Supplier hedging strategies

The annual October 15 power contract increased 2.3% in March, driven by rises in gas and carbon prices. The corresponding annual gas contract climbed 3.2% and carbon prices were up 2.5% over the same period. Power prices gained despite a decline in coal prices of 6.9%.

Some small suppliers put their prices up in March, with fixed tariff increases seen at Ovo (+5.2%), Green Star (+3.2%), and First Utility (+1.5%), among others. Activity in the Big Six was mixed, with npower (+2.6%) and Scottish Power (+3.4%) setting their prices higher, but EDF Energy and SSE announced decreases of 5.3% and 5.5% respectively.

With power and gas prices showing gains in the month, the suppliers seen to be adjusting their prices accordingly are likely to be shorter-hedged. Longer-hedged suppliers are more likely to weather short periods of rising prices.

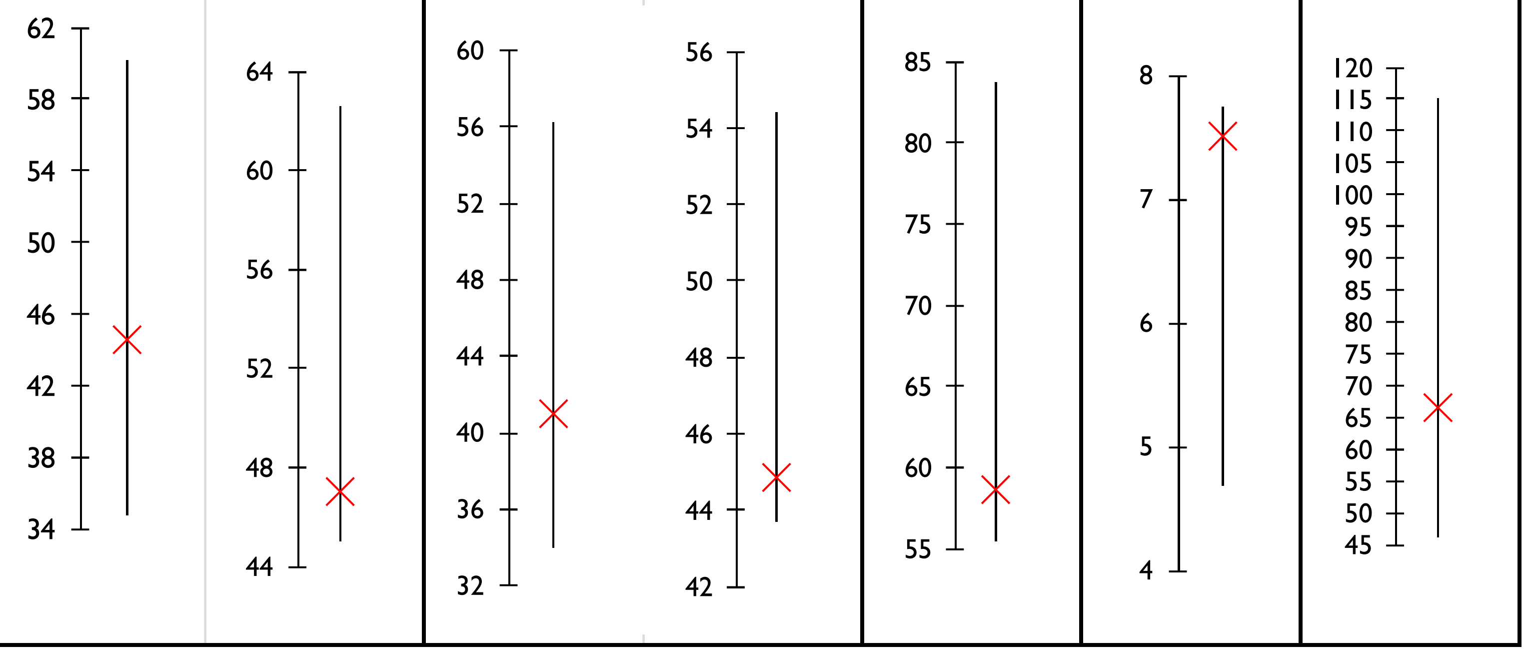


Wholesale price snapshot

Key market indicators: 01/05/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	1 May 15	44.55	47.03	41.00	44.83	58.60	7.51	66.38
Last week	24 Apr 15	45.30	47.06	42.50	44.80	57.25	7.33	65.46
Last month	3 Apr 15	48.30	48.47	46.00	45.73	56.50	7.20	56.97
Last year	2 May 14	46.25	61.55	39.30	53.73	82.75	5.43	108.08
Year-on-year % change		(4%)	(24%)	4%	(17%)	(29%)	38%	(39%)
Year high		60.20	62.55	56.30	54.42	83.70	7.75	115.20
Year low		34.70	45.04	34.00	43.68	55.40	4.68	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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