Energy Wholesale Market Review

Week Ending 8th May 2015

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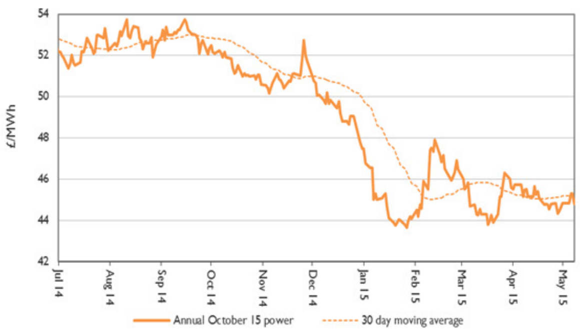
Headlines 08/05/2015

The annual October 15 gas contract climbed 0.2% this week to 47.1p/th but trends along the forward curve were mixed. Prices were supported during the week by reduced nuclear availability, which caused an increase in gas demand for power generation. But a rise in week-on-week temperatures held down short-term prices, with the day-ahead contract slipping 0.3% to 44.4p/th. Most power contracts saw slight decreases this week, with a 0.1% decline in the annual October 15 contract to £44.8/MWh. Falls were largest in the short-term contracts, with the day-ahead contract dropping 2.4% to £40.0/MWh under the influence of higher wind generation. Brent crude oil peaked at $69.4/bl on Wednesday, a five-month high, following the first decrease in US inventories for four months. EU ETS carbon climbed for the fourth week in a row and reached a ten-week high of €7.6/t on Wednesday after the European Parliament and Council agreed on a text for the Market Stability Reserve bill.

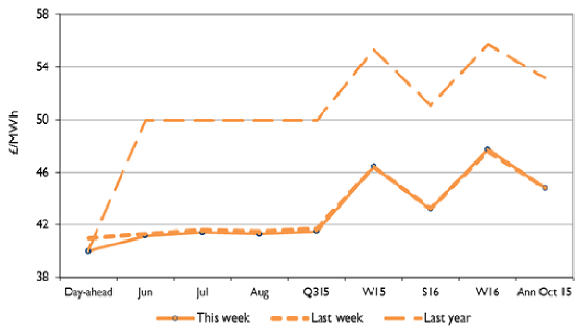
Baseload electricity

- Annual October 15 power declined 0.1% this week to £44.8/MWh. It is now 0.8% below its level a month ago.
- Day-ahead power fell 2.4% this week to £40.0/MWh. This followed a 30.7% rise in wind generation from the previous week.
- Most other contracts along the forward curve decreased, with the month-ahead contract down 0.4% to £41.2/MWh.

Annual October contract



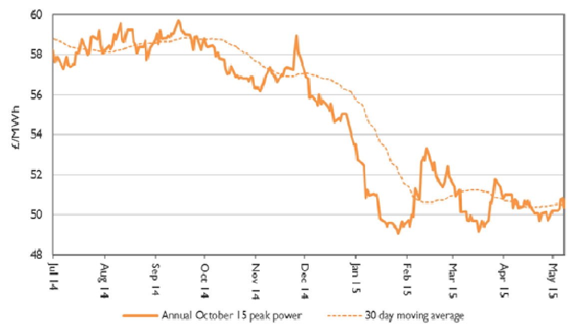
Forward curve comparison



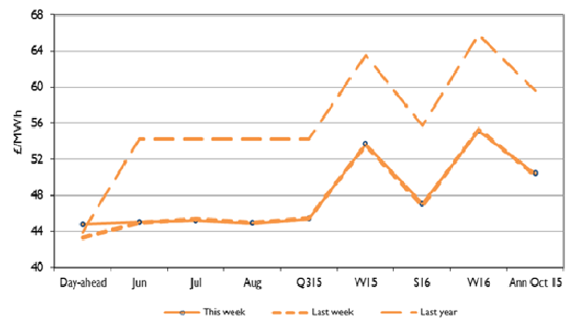
Peak electricity

- The annual October 15 peak contract gained 0.3% this week to £50.4/MWh. The contract is now 15.5% below its level last year.
- Day-ahead peak power was 3.5% higher this week at £44.8/MWh and is now 2.8% below its level last month (£46.1/MWh).
- The forward curve was mixed. Month-ahead peak power was 0.1% more at £45.1/MWh, while the forward quarter was 0.2% less at £44.9/MWh.

Annual October contract

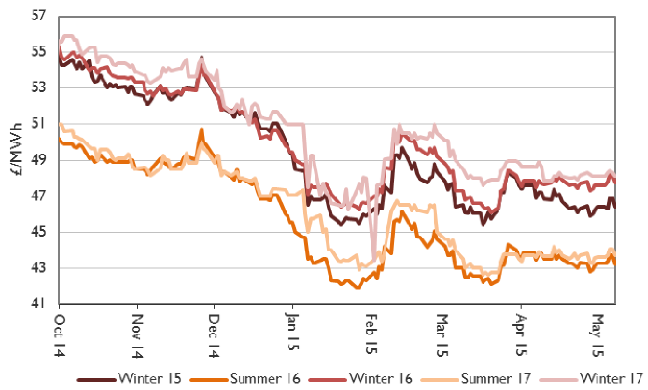


Forward curve comparison



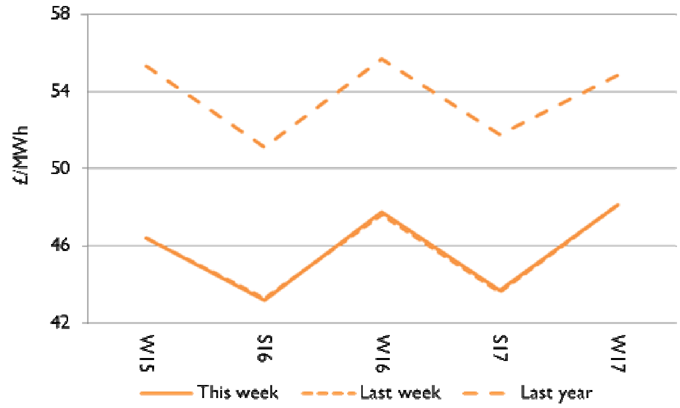
Seasonal power prices

Seasonal power contracts



- Trends in seasonal power contracts varied. The winter 15 and winter 17 contracts were unchanged at £46.4/MWh and £48.1/MWh respectively, summer 16 declined, and both winter 16 and summer 17 saw increases.

Seasonal power curve



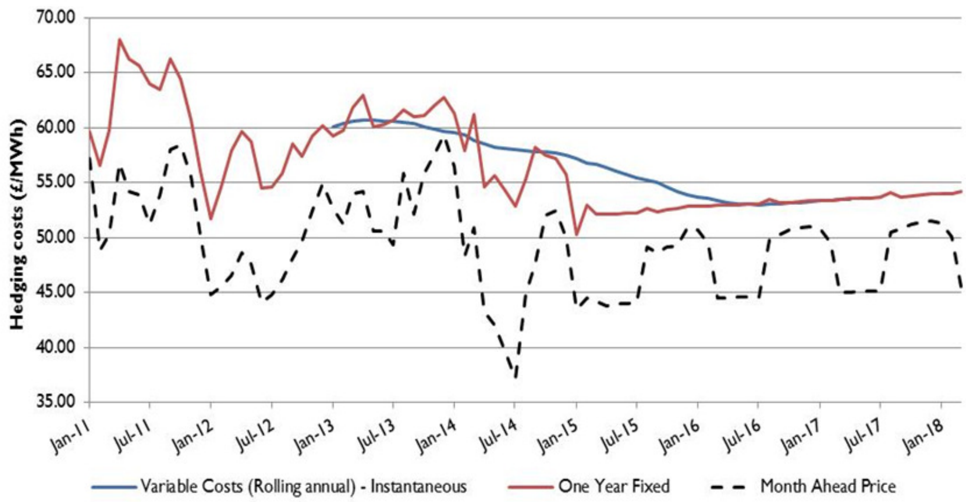
- The summer 16 contract decreased 0.1% to £43.2/MWh and is now 15.3% below its level last year (£51.1/MWh).
- The winter 16 contract climbed 0.3% to £47.8/MWh and is now 14.3% below its level last year (£55.7/MWh).

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.

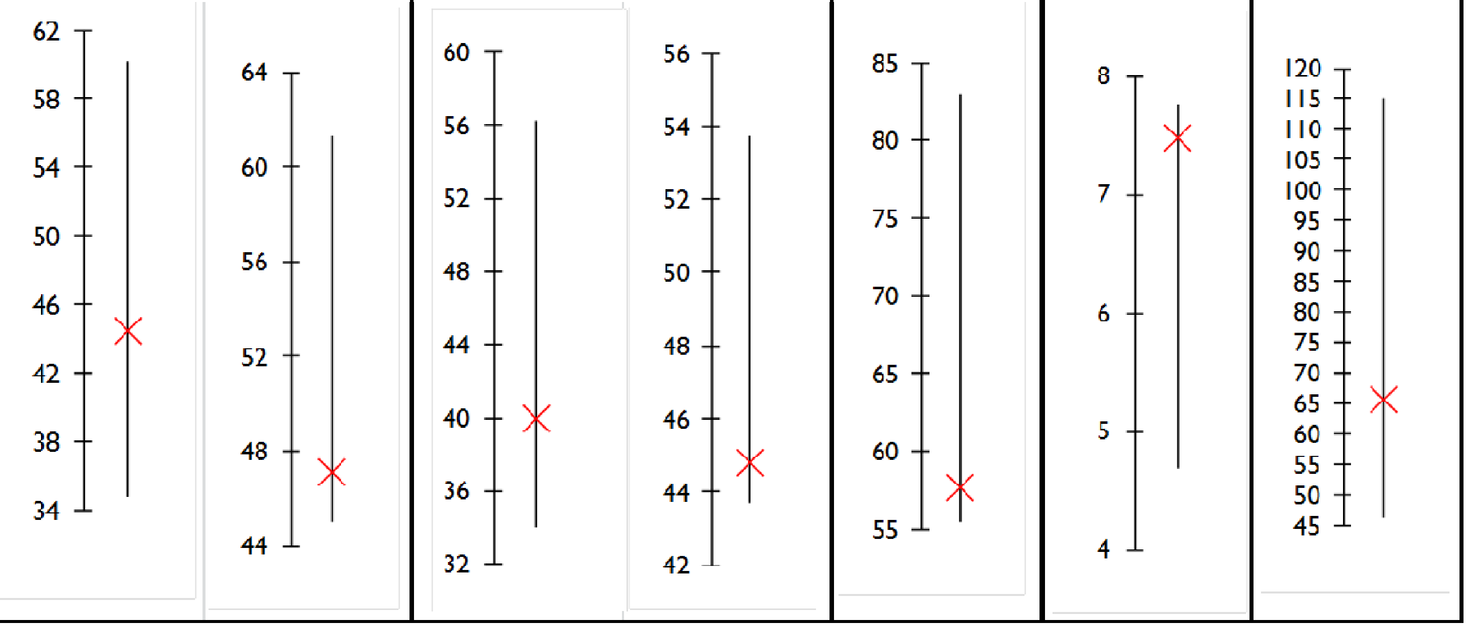


Wholesale price snapshot

Key market indicators: **08/05/2015**

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	($/t)	(€/t)	($/bl)
This week	8 May 15	44.40	47.10	40.00	44.80	57.70	7.48	65.41
Last week	1 May 15	44.55	47.03	41.00	44.83	58.60	7.51	66.38
Last month	10 Apr 15	47.80	47.82	43.80	45.18	56.00	6.96	56.33
Last year	9 May 14	46.75	61.30	40.20	53.20	82.10	5.21	108.64
Year-on-year % change		(5%)	(23%)	(0%)	(16%)	(30%)	44%	(40%)
Year high		60.20	61.30	56.30	53.75	83.00	7.75	115.20
Year low		34.70	45.04	34.00	43.68	55.40	4.68	45.98

This tab e shows the price th s week compared with pr ces 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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