

# Energy Wholesale Market Review

Week Ending 4<sup>th</sup> October 2013



**edw** technology

**EDW House, Radian Court, Knowhill, Milton Keynes, MK5 8PJ.**

**Phone:** +44 (0)8448 802 489  
**Email:** [info@edwtech.com](mailto:info@edwtech.com)  
**Website:** [edwtech.com](http://edwtech.com)

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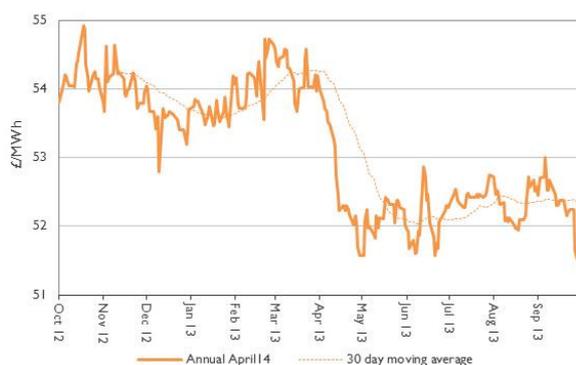
## Headlines

Prices were down across the board this week as falling commodity prices pulled down UK power and gas. Annual April 14 baseload power fell 1% to £51.7/MWh after a 0.6% fall in its gas counterpart to 66.1p/th. Day-ahead contracts dropped as demand tumbled with higher-than-expected temperatures. Day-ahead baseload power decreased 1.2% to £47.6/MWh, partly due to an increase in wind power to 77% peak output during the week. The annual clean spark spread fell 6% to £2.2/MWh as power fell further than gas. The clean dark spread rose 2.6% to £19.3/MWh as the price of coal continued to fall. Month-ahead Brent crude oil dropped 0.4% to a weekly average of \$108.2/bl as demand concerns about the partial shut-down of the US government outweighed the weak dollar and opening of the Keystone XL pipeline. The contract reached a seven-week low of \$107.7/bl on Wednesday 2 October. Coal dropped to a three-year low of \$82.3/t as a result of continuing oversupply.

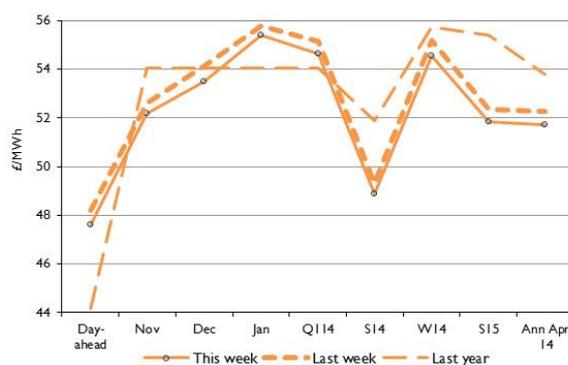
## Baseload electricity

- Falling coal and oil pulled down long-term power prices. Summer 14 power fell 0.8% to £48.9/MWh.
- Annual April 14 baseload power dropped 1% to £51.7/MWh.
- Day-ahead power saw a 1.2% decrease to £47.6/MWh due to falling gas prices and a return of over 1GW nuclear generation to the grid.
- The contract was also driven by an increase in wind power generation.

Annual October contract



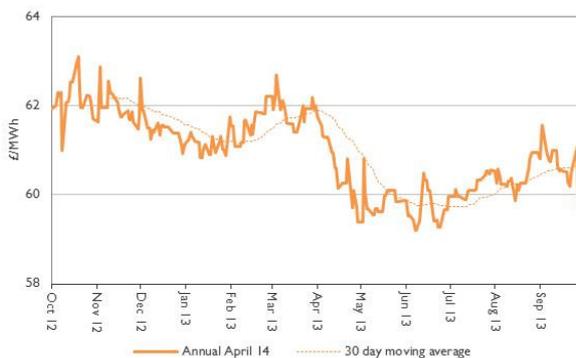
Forward curve comparison



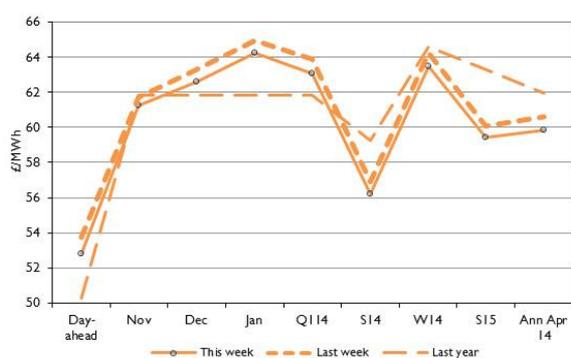
## Peak electricity

- Seasonal peak power contracts decreased week-on-week.
- The annual April 2014 peak power contract fell by 1.2% to £59.8/MWh.
- Day-ahead peak electricity dropped 1.8% to £52.8/MWh with falling gas prices.
- The contract is now 3.1% lower than last month and 5% above last year.

Annual October contract



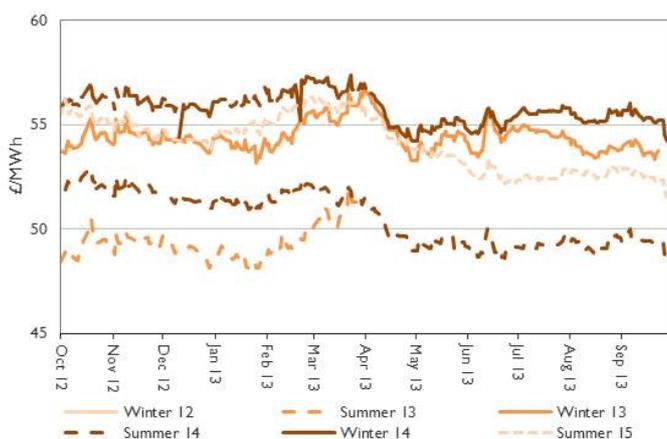
Forward curve comparison





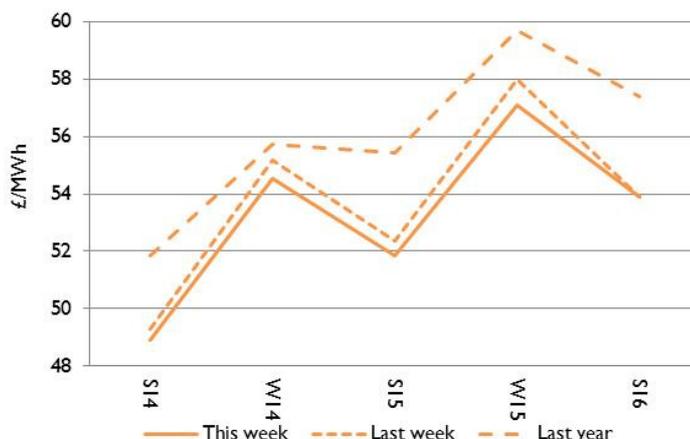
## Seasonal power prices

### Seasonal power contracts



- Overall this week, winter power contracts fell 0.6% on average. Winter 14 decreased 1.2% to £54.6/MWh.
- Summer power contracts also dipped, with an average drop of 1.4% from last week. Summer 14 power fell by 0.8% to £48.9/MWh.

### Seasonal power curve



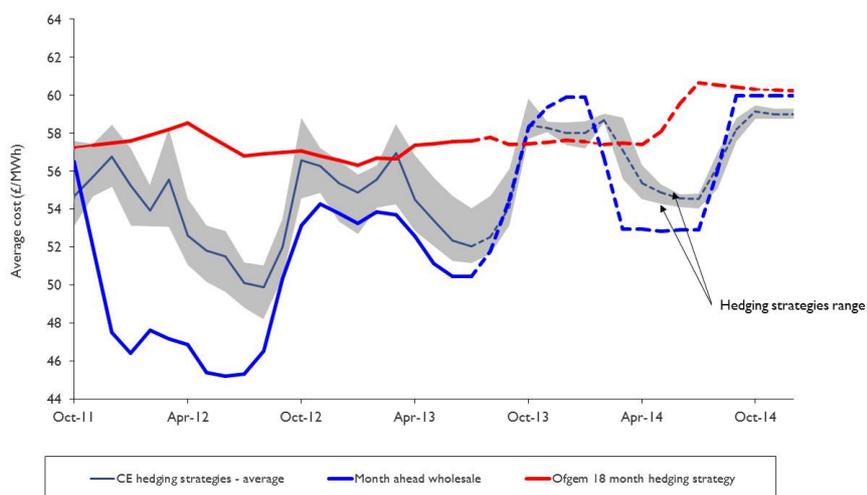
- The summer 14 power contract is now 0.3% lower than last month's level of £53.9/MWh.
- The power contract is now lower than the price in 2012, falling 5.7% from £51.9/MWh.

## Supplier hedging strategies

Good weather and reductions in coal prices helped annual gas and power contracts drop over August annual power contracts rose 0.8% while the gas equivalent was up 1.5%. Suppliers' cost-based notional hedging strategies have increased as a result of more expensive autumn and winter contracts. Prices are likely to continue to increase in September as demand rises. Electricity and gas prices for this winter are expected to be 5% higher than last year. The Department of Energy and Climate Change (DECC) released its estimates of the impact of policies on consumer bills. DECC said its policies have reduced gas and power bills by 5% and by 2020 bills will have been reduced by 11%.

Although both Ofgem's and our assessments show a similar overall trend, the incorporation of nearer-term prices makes our assessments more volatile than Ofgem's smoothed quarterly and seasonally based approach.

## Electricity





## Wholesale price snapshot

Key market indicators:

04/10/2013

	Gas (p/th)		Electricity (£/MWh)		Wood Pellets (€/t)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	Month-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 4 Oct 13	64.00	66.13	47.60	51.73	110.72	113.75	82.25	5.19	108.95
Last week 27 Sep 13	64.70	66.53	48.20	52.25	111.42	114.33	84.80	5.51	108.81
Last month 6 Sep 13	64.80	67.68	42.20	52.70	110.61	114.34	83.00	4.94	115.40
Last year 5 Oct 12	61.20	66.28	44.20	53.81	106.62	113.52	97.25	7.70	112.18
Year-on-year % change	5%	(0%)	8%	(4%)	4%	0.2%	(15%)	(33%)	(3%)
Year high	118.00	71.15	86.00	54.25	112.85	120.54	103.50	9.05	118.81
Year low	54.75	64.80	40.00	50.67	108.72	111.51	82.25	2.70	97.70

<p>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.</p>	120	72	88	55	113	121	105	10	120
	115							9	116
	110							8	112
	105							7	108
	100							6	104
	95							5	100
	90							4	96
	85							3	
	80							2	
	75								



## 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 12 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 75 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](http://www.edwtech.com)

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