

Energy Wholesale Market Review

Week Ending 12th September 2014



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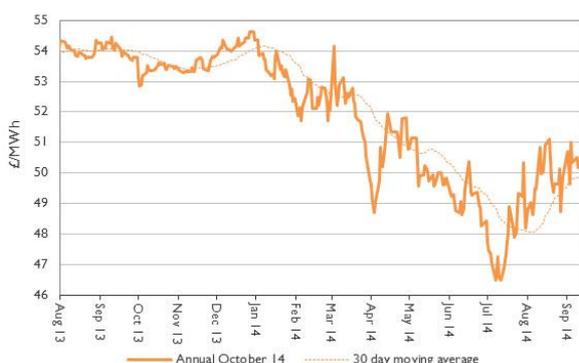
Headlines

Short and long-term power and gas contracts showed diverging trends this week, as continued geopolitical tensions and a strong supply picture both influenced the market. Short-term contracts were down with returning supplies, as day-ahead gas dropped 6.7% to 44.9p/th on returning continental imports. Day-ahead power followed the falls in gas, decreasing 9.1% to a three-week low of £40.5/MWh. In contrast, most long-term contracts rose, as increased fears over Russian gas supplies managed to outweigh 16-month low oil prices and record high GB gas supplies. Winter 14 gas rose 0.6% to 59.9p/th, while winter 14 power was up 0.5% to £51.3/MWh. In spreads, the annual October 14 clean dark spread gained 0.1% to reach £18.2/MWh, a new five-month high, as coal prices fell and power rose. Seasonal power and gas contracts rose despite bearish trends on the commodity markets. Brent crude oil fell below \$100/bl for the first time since April 2013, averaging \$99.0/bl, as low demand forecasts combined with record high supplies. EU ETS carbon prices also dropped, down 2.2% to average €6.1/t, as lack of progress surrounding reform negotiations continued to dampen market sentiment. API 2 coal prices hit an eight-week low of \$77.7/t.

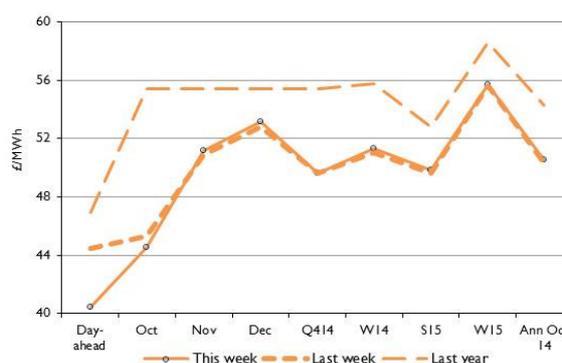
Baseload electricity

- Annual October 14 power followed rises in long-term gas this week, climbing 0.4% to £50.6/MWh.
- Despite a four-month low recorded for wind output, day-ahead power fell 9.1% week-on-week to £40.5/MWh, a two-week low. The contract followed downward trends in spot gas prices.

Annual October contract



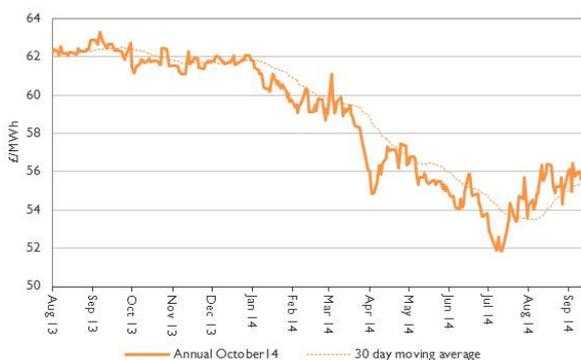
Forward curve comparison



Peak electricity

- The annual October 14 peak contract gained 0.3% to £55.9/MWh. The contract is now 0.8% lower than last month and 11% below last year's level of £62.7/MWh.
- A fall in demand, coupled with lower gas prices, helped day-ahead peak power tumble 12.5% week-on-week to £42.8/MWh.

Annual October contract



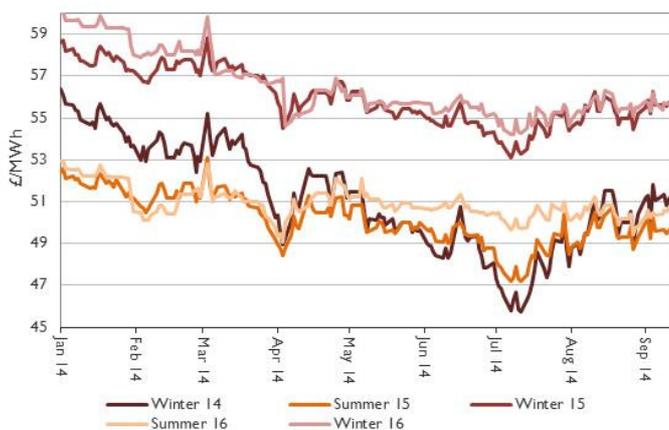
Forward curve comparison



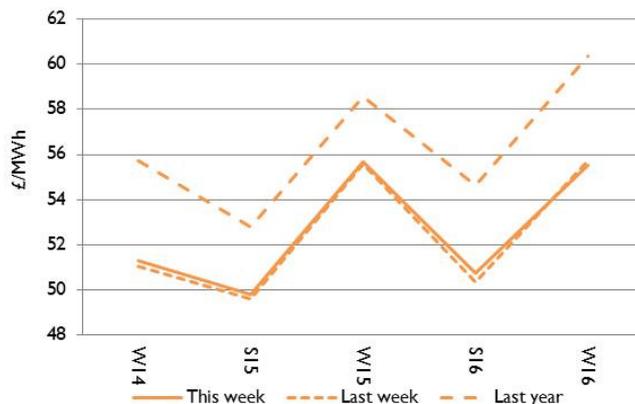


Seasonal power prices

Seasonal power contracts



Seasonal power curve

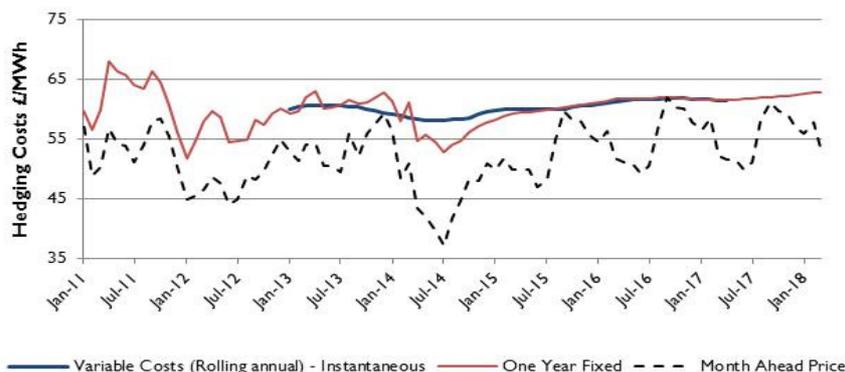


- Seasonal power contracts were stable in comparison with recent trends this week.
- Overall, contracts rose and followed the upward movements in gas.
- Winter contracts were up 0.1% on average. The winter 14 contract rose 0.5% week-on-week to £51.3/MWh. The contract is now 8% below its level last year of £55.8/MWh
- Summer 15 power gained 0.4% to reach £49.8/MWh, the contract is now 5.7% below last year's level of £52.8/MWh.

Supplier hedging strategies

Shorter dated contracts continued to fall through July and into August, however the market was characterised by high levels of volatility. Gas prices gained over 7% from 17 July onwards, as geopolitical tensions reached new levels following the downing of a Malaysian airline and the subsequent sanctions imposed on Russia. On a monthly average basis, power prices in July followed the falls in their gas counterparts, as a well-supplied UK gas system managed to offset Russian supply risks over the month. Month-ahead prices for June, July and 2 weeks of August averaged £36.9/MWh, 21% below last year's figure of £47.0/MWh.

Further out, for long-term prices a number of political and regulatory interventions have been factored into wholesale power prices over the last few months, with the result being a fall in prices. The first policy, the freezing of the carbon price support from 2016, is expected to reduce wholesale prices through lowering costs levied on fossil fuels. It may also allow older coal-fired station to stay on the system longer, benefitting capacity. Secondly, the introduction of contracts for difference (CfD) arrangements from 2016 will facilitate more low carbon generation onto the grid, and with these technologies lower fixed costs is likely to reduce wholesale prices. Also, the introduction of a capacity market, with the first auction set for December this year, is having a downward impact further out, with generators expected to recover less fixed costs through wholesale power prices.





Wholesale price snapshot

Key market indicators:

12/09/2014

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	12 Sep 14	44.90	57.75	40.45	50.55	77.75	6.10	98.37
Last week	5 Sep 14	48.10	57.40	44.50	50.33	77.85	6.10	102.00
Last month	15 Aug 14	42.75	59.66	39.40	50.93	79.75	6.22	102.14
Last year	13 Sep 13	67.80	66.46	46.95	54.27	84.35	5.48	112.33
Year-on-year % change		(34%)	(13%)	(14%)	(7%)	(8%)	11%	(12%)
Year high		71.95	67.53	58.30	54.63	87.30	7.22	115.20
Year low		34.70	53.38	34.00	46.48	77.30	4.27	97.48

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 13 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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