

Energy Wholesale Market Review

Week Ending 10th October 2014



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Headlines

Diverging trends were witnessed for spot and long-term prices this week. Spot prices continued to rise, as short-term gas and power demand surged higher. Day-ahead power rose 8.8% week-on-week to a four-week high of £45.2/MWh. Longer-term contracts failed to track spot market rises, as the high gas storage picture and further decreases in commodities pulled contracts lower along the curve. Gas storage continued at record levels, reaching 99% full in the week, and combined with lower oil prices to pull summer 15 gas down 1.2% to 53.7p/th, a three-month low. Seasonal power prices followed lower, and were also influenced by continued declines in coal. Summer 15 power was down 0.1% to £48.7/MWh and is now 2.6% below its level a month ago. Long-term power contracts fell at lower rates than commodities, and as a result spreads gained in value. The annual April 15 clean dark spread rose 0.9% to £20.3/MWh. Global commodities continued to weigh on the GB market, as both Brent crude oil and coal prices fell to four-year lows. Brent crude oil was down 3.5% to \$89.1/bl, its lowest level since November 2010.

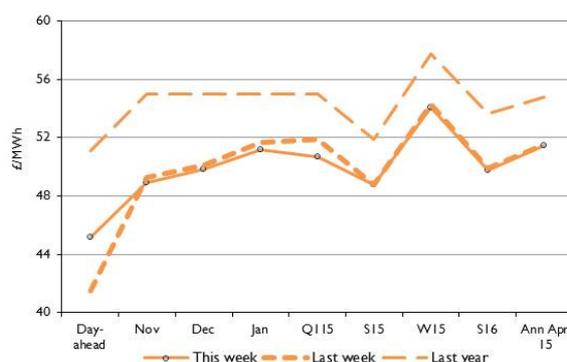
Baseload electricity

- Annual April 15 power fell 0.2% to £51.4/MWh, as falling gas and coal prices influenced. Prices are now 6% below levels seen a year ago (£54.8/MWh).
- Week-on-week, day-ahead power rose 8.8% to £45.2/MWh, a four-week high. Rises were influenced by increases in spot gas prices and higher short-term power demand.

Annual October contract



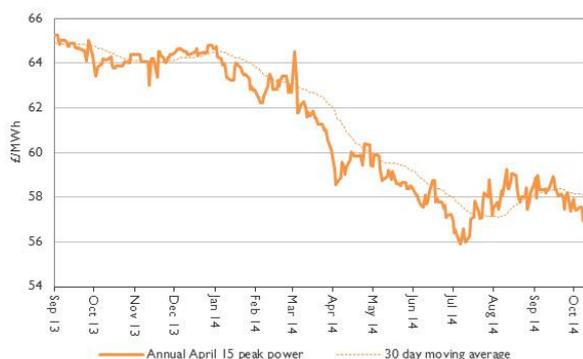
Forward curve comparison



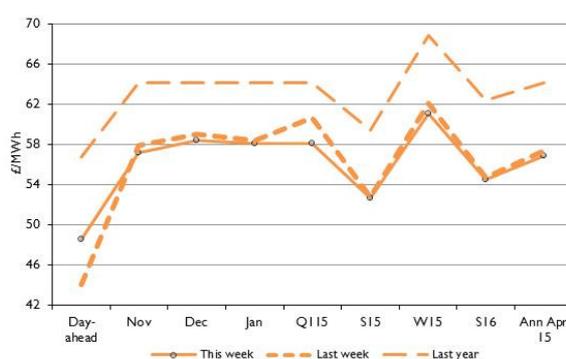
Peak electricity

- The annual April 15 peak contract shed 0.9% to £57.4/MWh. The contract is now 2.6% lower than last month and 11% below last year's level of £64.2/MWh.
- A surge in power and gas demand, helped day-ahead peak power rise 10.1% week-on-week to £48.5/MWh, a four-week high.

Annual October contract



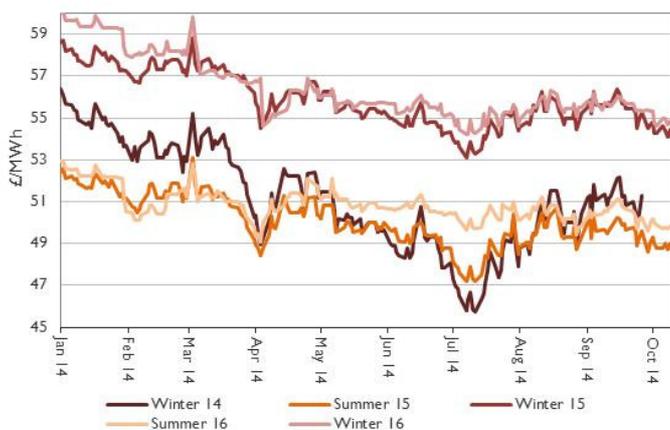
Forward curve comparison



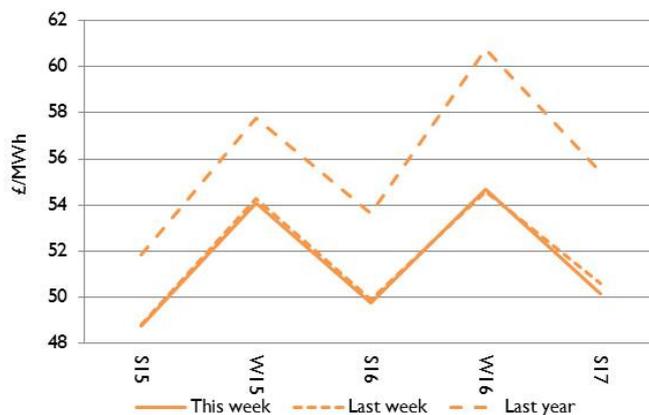


Seasonal power prices

Seasonal power contracts



Seasonal power curve

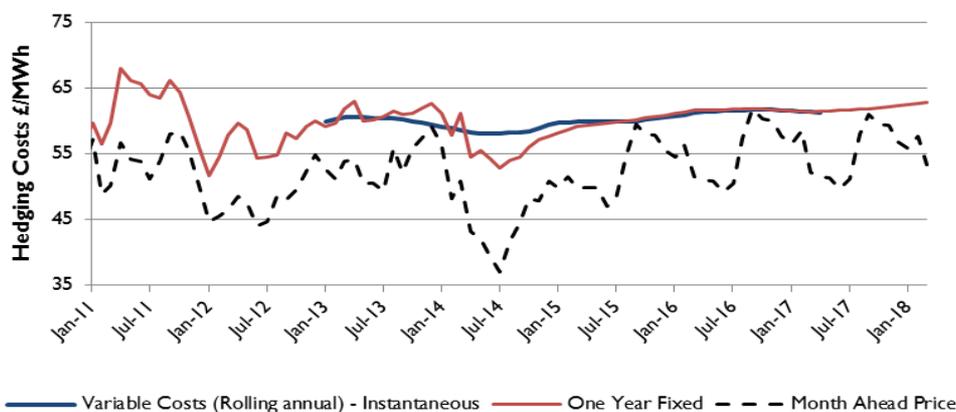


- Seasonal power prices followed the falls in gas and were also impacted upon by further declines in year-ahead coal prices.
- Summer 15 power dropped 0.1% to £48.7/MWh and the contract is now 2.6% below its level a month ago.
- Winter contracts further out continued to be suppressed by the bearish picture for global coal prices.
- Winter 15 power was down 0.4% to £54.1/MWh, a two-month low. The contract is now 6.3% below its level a year-ago.

Supplier hedging strategies

August and the start of September set new trends in the market, as contracts saw month-on-month rises for the first time since February. Security of supply fears have captured market focus over the past six-weeks, with continuing fears over Russian gas supplies and extensions to outages for 3GW of GB nuclear capacity influencing recent rises. Winter 14 power hit £52.2/MWh on 16 September, a five-month high. Despite the rises, month-ahead power prices for August and September have averaged 13% below last year's figure of £47.9/MWh, at £41.7/MWh.

Winter 14 contracts, as expected, have been the most reactive to recent market changes. Further out along the curve, prices continue to factor in a number of political and regulatory interventions. The freezing of the carbon price support from 2016 continues to dampen wholesale prices along the curve, with it expected to reduce prices through lowering costs levied on fossil fuels. It may also allow older coal-fired station to stay on the system longer. Secondly, with Scotland voting to remain part of the UK, a factor in recent higher levels of political risk in the market has been reduced. Wholesale prices may factor this in. However, key risks of political change through the 2015 election and outcomes of the CMA investigation remain.





Wholesale price snapshot

Key market indicators:

10/10/2014

	Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 10 Oct 14	51.50	57.78	45.15	51.43	72.85	6.07	89.08
Last week 3 Oct 14	51.00	58.53	41.50	51.55	74.70	5.78	92.22
Last month 12 Sep 14	44.90	59.91	40.45	52.75	77.75	6.10	98.37
Last year 11 Oct 13	66.75	64.38	51.10	54.80	81.50	4.70	111.53
Year-on-year % change	(23%)	(10%)	(12%)	(6%)	(11%)	29%	(20%)
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	72.85	4.27	89.08

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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