

Energy Wholesale Market Review

Week Ending 17th October 2014



edw technology

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



Contents

Baseload electricity	3
Peak electricity	3
Seasonal power prices	4
Supplier hedging strategies	4
Wholesale price snapshot	5
About EDW Technology Limited	6



Headlines

Gas and power prices fell this week in both long and short-term markets. Long-term contracts were pulled down by continuing decreases in coal and oil as a result of waning demand. Compared to last week, the annual April 15 gas contract fell 1.0% to 57.2p/th. On the day-ahead market, prices continued to fall on the back of rising imports and the expectation of warmer weather towards the end of the week. Day-ahead baseload power dipped 3.2% to £43.7/MWh. Clean spark spreads and clean dark spreads fell this week as gas and coal prices fell faster than power.

Clean spark spreads dropped 0.8% to £6.6/MWh while clean dark spread fell 1.4% to £19.9/MWh. Month-ahead Brent crude oil dropped to a four year low of \$85.8/bl, pulled down by the global supply glut and an indication from Opec that it is unlikely to reduce production. In contrast to the falls, carbon prices increased to €6.1/t on expectations that EU leaders may agree on the content of the EU 2030 climate and energy framework at the end of October.

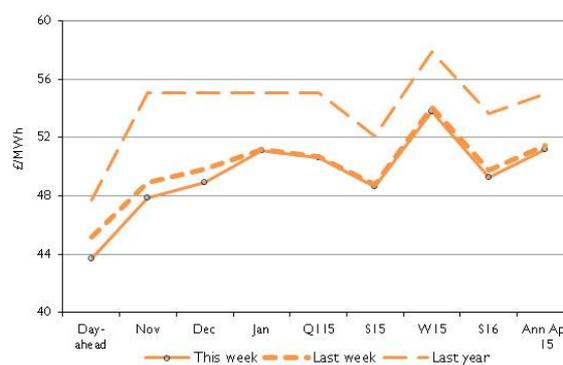
Baseload electricity

- Annual April 15 power fell 0.5% to £51.2/MWh, pulled down by continuing decreases in gas and coal. Prices are now 4% below levels seen last month (£59.6/MWh).
- Week-on-week, day-ahead power fell 3.2% to £43.7/MWh. The decrease was influenced by a fall in gas, a climb in temperatures and as a rise in wind power towards the end of the week.

Annual October contract



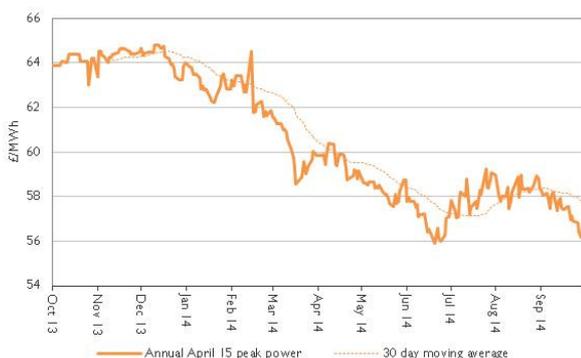
Forward curve comparison



Peak electricity

- The annual April 15 peak contract shed 0.4% to £56.7/MWh. The contract is now 2.5% lower than last month and 11% below last year's level of £63.9/MWh.
- Day-ahead peak power followed the trend in short term prices, decreasing 1.0% to £48.0/MWh.

Annual October contract



Forward curve comparison



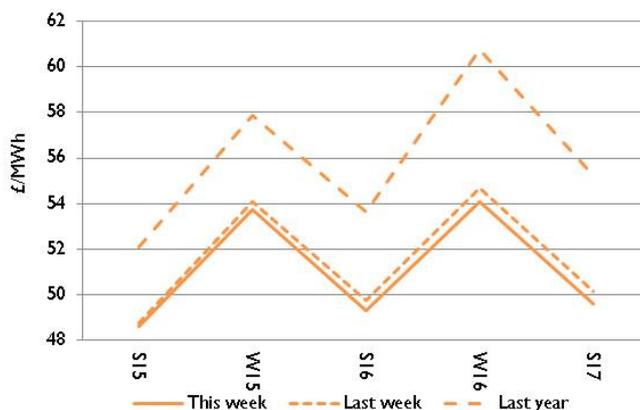


Seasonal power prices

Seasonal power contracts



Seasonal power curve

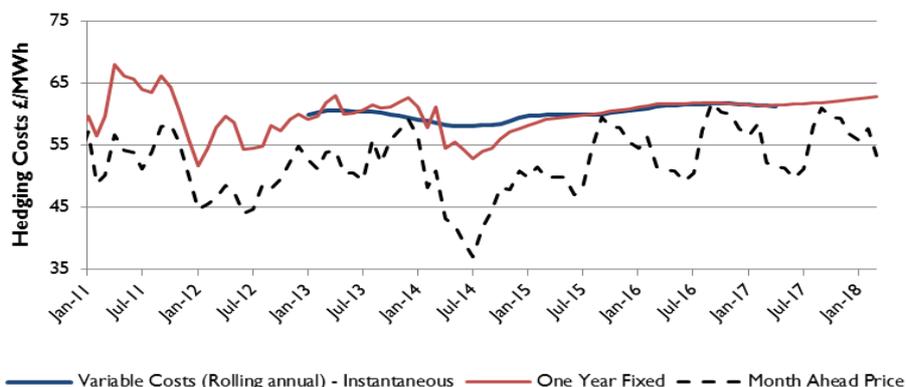


- Despite the extension of nuclear outages, seasonal power prices continued to be pulled down by the falls in gas and coal.
- Summer 15 power dropped 0.3% to £48.6/MWh and the contract is now 2.1% below its level a month ago.
- Winter power contracts were down 0.8% on average compared to last week, and are now 9.4% lower on average than last year.
- Winter 15 power was down 0.6% to £53.8/MWh, a two-month low. The contract is now 7.1% 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:

17/10/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	17 Oct 14	51.00	57.21	43.70	51.18	72.10	6.26	85.85
Last week	10 Oct 14	51.50	57.78	45.15	51.43	72.85	6.07	89.08
Last month	19 Sep 14	49.25	59.59	43.10	52.55	76.50	5.99	97.45
Last year	18 Oct 13	64.00	64.42	47.70	54.98	83.00	5.21	109.28
Year-on-year % change		(20%)	(11%)	(8%)	(7%)	(13%)	20%	(21%)
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	71.60	4.27	83.00

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.

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

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