

# Energy Wholesale Market Review

Week Ending 24<sup>th</sup> October 2014



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## Headlines

Power and gas prices were down across the board this week as milder temperatures and strong wind speeds influenced short-term contracts and low commodity prices drove the long-term. Wind power reached 24% of the generation mix over the last week and remained high helping day-ahead power fall 1.9% week-on-week. Oil and coal prices remained stable at four-year lows, with oil prices at an average of \$85.9/bl this week as concerns about weak demand persisted. This kept longer-term gas and power prices depressed, annual April 15 gas fell 1.7% this week to 56.3p/th and annual April 15 power was down 1.2% to £50.6/MWh. Clean dark spreads fell this week as power prices dipped but coal remained stable. The annual clean dark spread fell 4.9% to £19.0/MWh while the annual clean spark spread remained stable at £6.6/MWh. Carbon prices increased 1.7% to a weekly average of €6.2/t after the UK government called for the actions to reduce the oversupply of allowances in the EU ETS to be brought forward to 2017.

## Baseload electricity

- Annual April 15 power fell 1.2% to £50.6/MWh, pulled down by continuing decreases in gas. Prices are now 3.6% below levels seen last month (£52.4/MWh).
- Week-on-week, day-ahead power fell 1.9% to £42.9/MWh. The decrease was influenced by a fall in gas, and strong wind speeds offsetting fossil fuel stations.

### Annual October contract



### Forward curve comparison



## Peak electricity

- The annual April 15 peak contract shed 1.2% to £56.0/MWh. The contract is now 3.9% lower than last month and 13% below last year's level of £64.1/MWh.
- In contrast, the day-ahead peak power contract rose 1.6% to £48.8/MWh, 9.9% higher than last month.

### Annual October contract



### Forward curve comparison



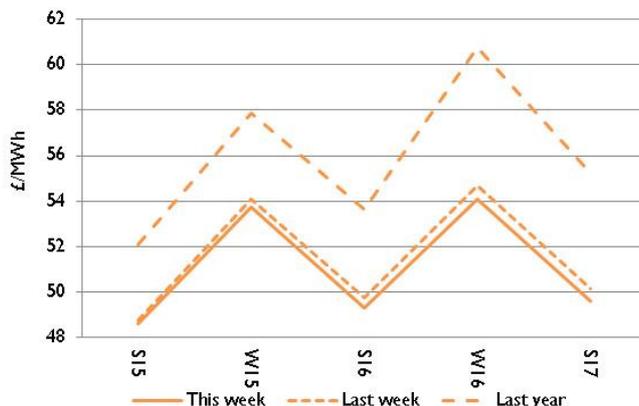


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve

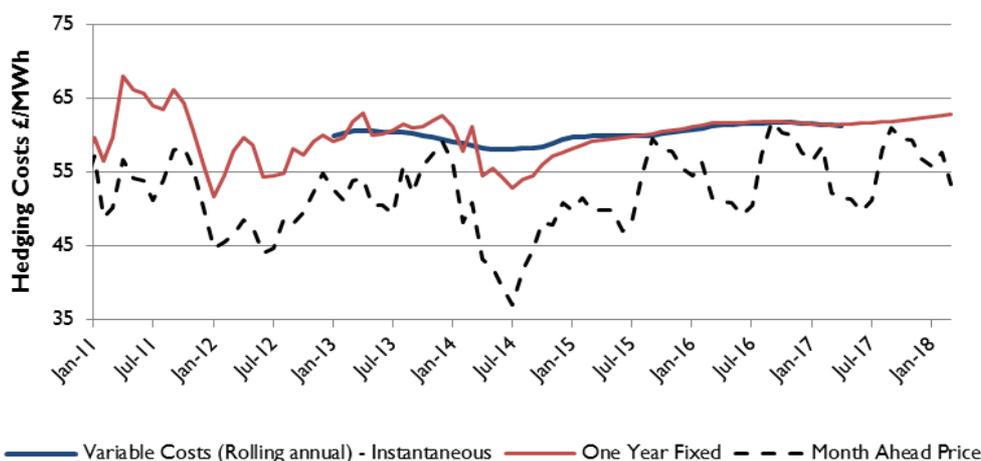


- The power price continued to fall this week as reductions in gas prices fed through into the power market.
- Summer 15 power dropped 1.1 to £48.1/MWh and the contract is now 3.1% below its level a month ago.
- Winter power contracts were down 1% on average compared to last week, and are now 10.5% lower on average than last year.
- Winter 15 power was down 1.3% to £53.1/MWh. The contract is now 8.2% 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:

24/10/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	24 Oct 14	50.65	56.26	42.85	50.55	73.00	6.38	86.12
Last week	17 Oct 14	51.00	57.21	43.70	51.18	72.10	6.26	85.85
Last month	26 Sep 14	50.50	59.47	42.35	52.43	75.35	5.82	96.77
Last year	25 Oct 13	66.50	64.40	47.15	54.88	84.60	4.70	106.79
Year-on-year % change		(24%)	(13%)	(9%)	(8%)	(14%)	36%	(19%)
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	71.10	4.27	83.00
<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>		74	68	60	56	88	8	114
		70	64	56	54	86	7	110
		66	60	52	52	84	6.5	106
		62	56	48	50	82	6	102
		58	52	44	48	80	5.5	98
		54	48	40	46	78	5	94
		50	44	36	44	76	4.5	90
		46	40	32	42	74	4	86
		42	36	28	40	72	3.5	82
		38	32	24	38	70	3	78
34	28	20	36	68	2.5	74		



## 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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