

# Energy Wholesale Market Review

Week Ending 14<sup>th</sup> November 2014



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## Headlines

Power and gas prices dropped again this week as oil continued to fall, and gas supplies looked secure. Annual April 15 baseload power was down 0.8% to £49.8/MWh and annual April 15 gas slipped 0.6% to 55.0p/th. In contrast, day-ahead prices increased on the back of falling wind output and extensions to outages at Heysham and Hartlepool nuclear power stations. Day-ahead power climbed 1.8% to £48.0/MWh and its gas counterpart rose 1.9% to 53.5p/th. Month-ahead Brent crude oil fell 2.7% this week to a weekly average of \$81.0/bl as the market remains oversupplied and no signs have emerged from OPEC nations of supply restrictions. Coal prices climbed 1.3% to average \$71.4/t over the week. Some Australian mines are beginning to close temporarily as a result of low prices. Carbon prices continued their rise as work continues in the EU to progress a Market Stability Reserve.

## Baseload electricity

- Annual April 15 power fell by 0.8% to £49.8/MWh following continuing decreases in gas and oil. Prices are now 2.7% below levels seen last month (£51.1/MWh).
- Day-ahead baseload power climbed 1.8% over the week to £48.0/MWh. A fall in forecast wind output meant more gas-fired generation was required to meet demand, pushing up prices.

Annual October contract



Forward curve comparison



## Peak electricity

- The annual April 15 peak contract dropped 0.7% this week to £55.7/MWh. The contract is now 1.8% lower than last month and 13% below last year's level of £64.2/MWh.
- The day-ahead peak power contract rose 1.7% to £55.6/MWh, after EDF pushed back restarting two nuclear stations by another week.

Annual October contract



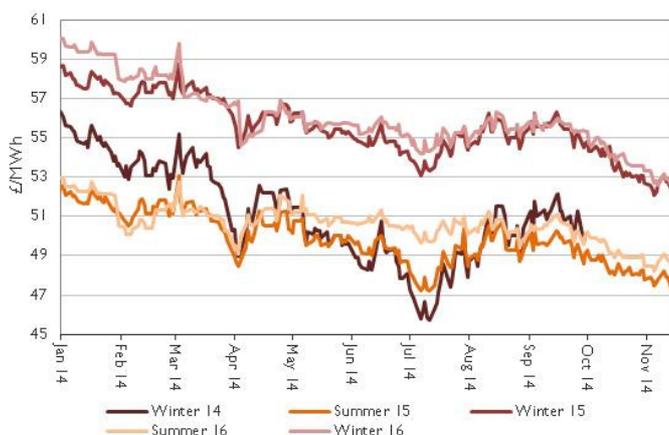
Forward curve comparison





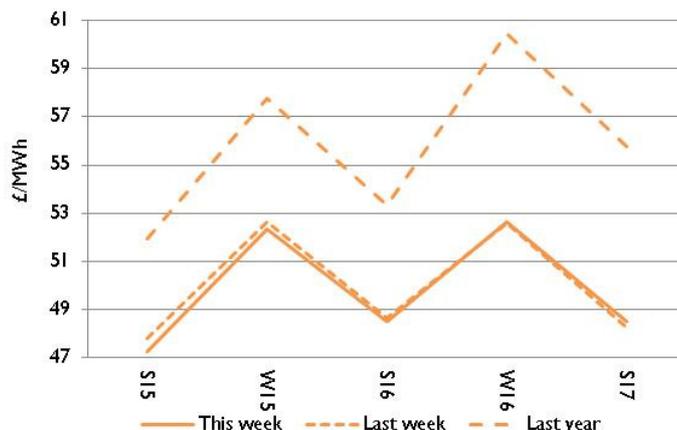
## Seasonal power prices

### Seasonal power contracts



- On average summer contracts were down 0.3%. Summer 15 power fell 1.2% to £47.3/MWh this week, following the fall in gas.
- The contract is now 9% below last year's price of £52.0/MWh.

### Seasonal power curve

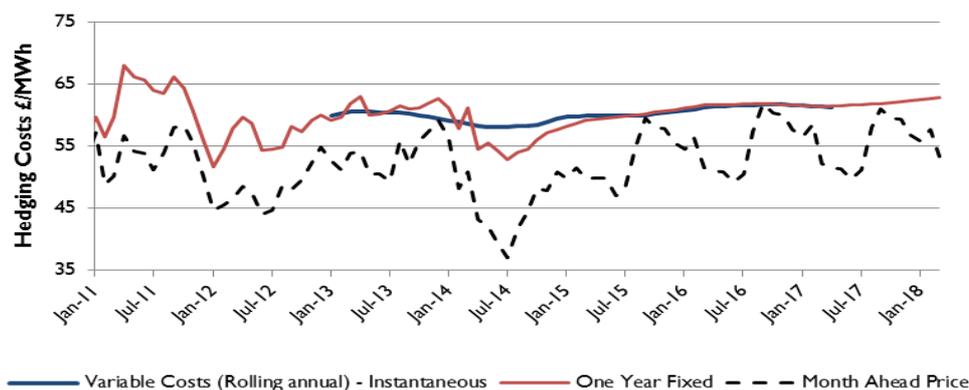


- Winter power contracts were down 0.2% on average compared to last week, and are now 10.4% lower on average than last year.
- Winter 15 power was down 0.6% to £52.4/MWh. The contract is now 9.4% below its level a year ago.

## Supplier hedging strategies

Power prices reversed recent upward trends to fall in October. Four-year lows for coal and oil prices weighed on the UK power market as long-term power contracts factored in the bearish commodity price outlook. The summer 15 contract dropped 2.3% over the month to average £48.5/MWh and fell to a three-month low of £47.8/MWh on 31 October. The average price for the contract over the month was down 7% on its level last year.

Long-term UK power and gas prices have been impacted by recent falls in global oil prices, which have dropped from levels above \$100/bl in early September to four-year lows of \$81/bl by mid-October. The dramatic decline is a result of oversupply in the market, as a slowdown in global demand has combined with a surge in output from Libya and Iraq. Low demand is expected to remain, with the International Energy Agency recently revising its demand forecast for 2014 down to the lowest level of annual growth since 2009. As a result many price forecasts have estimated Brent crude oil will remain below \$90/bl well into 2015. The weak commodity outlook for both oil and coal has influenced tariff movements over September and October, with some new fixed price tariffs coming onto the market at around 3% lower than their predecessors.





## Wholesale price snapshot

Key market indicators:

14/11/2014

	Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 14 Nov 14	53.50	55.03	48.00	49.80	71.70	6.75	77.91
Last week 7 Nov 14	52.50	55.33	47.15	50.23	69.65	6.61	82.59
Last month 17 Oct 14	51.00	57.21	43.70	51.18	72.10	6.26	85.85
Last year 15 Nov 13	69.50	64.85	53.40	54.85	81.35	4.53	108.30
Year-on-year % change	(23%)	(15%)	(10%)	(9%)	(12%)	49%	(28%)
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	69.65	4.27	77.91

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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