

Energy Wholesale Market Review

Week Ending 21 November 2014



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Headlines

Power contracts rose across the board this week, following increases in demand and rises in gas and coal. The spot market was most reactive, as day-ahead power climbed 4% to £49.9/MWh. Prices followed higher along the curve, summer 15 power climbed 1.7% to a three-week high of £48.3/MWh. Rising gas prices influenced power contracts as day-ahead gas rose 4.9% to an eight-month high of 56.1p/th. The spot gas market climbed following outages at storage withdrawals sites and increases in daily gas demand, which hit its highest level in eight months. Seasonal gas contracts followed higher with the annual April 15 gas contract rising 1.8% to average 56.0p/th. Rising coal and carbon prices were factored in to GB power and gas markets. Annual API 2 coal prices gained 1.1% to average \$72.2/t, while EU ETS carbon permits rose to an eight-month of €7.0/t. In contrast, month-ahead Brent crude oil fell 2.8% this week to average \$78.8/bl. The market continued to be affected by high levels of supply.

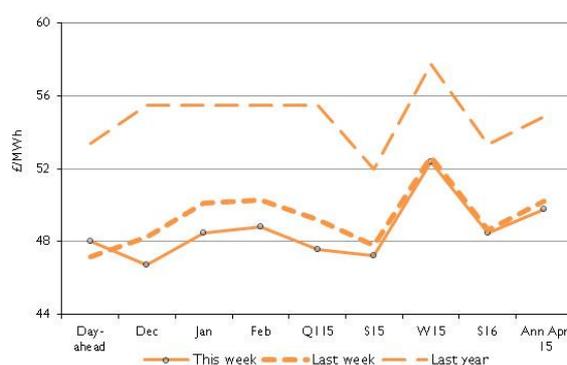
Baseload electricity

- Annual April 15 power rose 1.5% to £50.6/MWh, following a rise in gas and coal contracts. Prices are now similar to levels seen last month (£50.7/MWh).
- Day-ahead baseload power gained 4% over the week to £49.9/MWh. Low wind output across the week meant a continued reliance on gas-fired generation, pushing up prices

Annual April contract



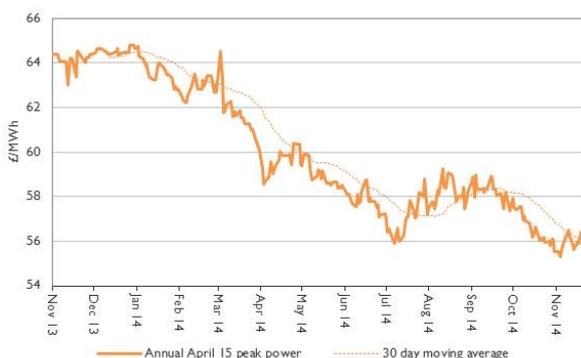
Forward curve comparison



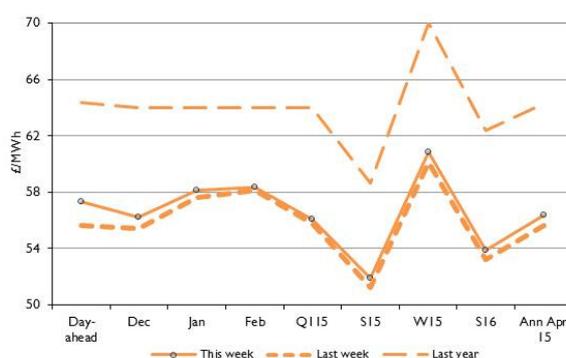
Peak electricity

- 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.
- As delays continued for the restart of two nuclear stations, day-ahead peak power prices rose 3.1% over the week to £57.3/MWh. Increasing power demand also influenced the contract.

Annual April contract



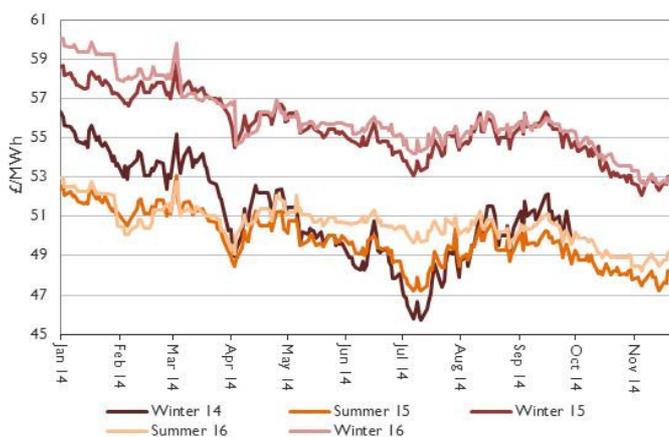
Forward curve comparison



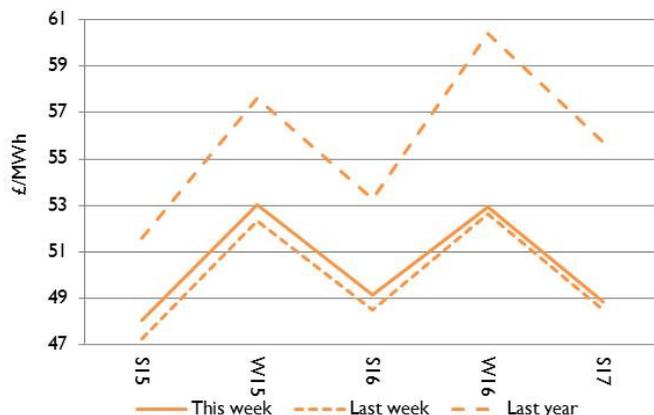


Seasonal power prices

Seasonal power contracts



Seasonal power curve

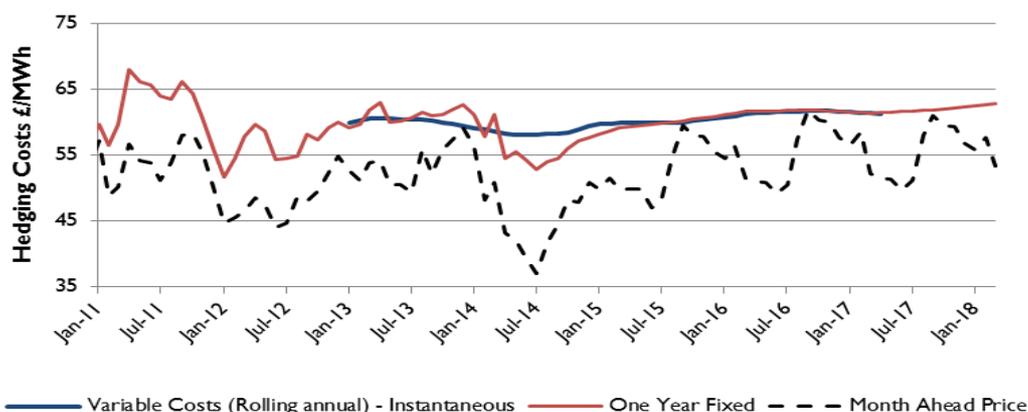


- Seasonal power prices followed the rises in coal and gas this week, as contracts moved to three-week highs.
- Summer 15 power climbed 1.7% to a three-week high of £48.3/MWh.
- Winter power contracts were up 0.9% on average compared to last week, but are 10.7% lower on average than last year.
- Winter 15 power climbed 1.3% week-on-week to £53.1/MWh.

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 prices tariffs coming onto the market at around 3% lower than their predecessors.





Wholesale price snapshot

Key market indicators:

21/11/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	21 Nov 14	56.10	56.03	49.90	50.55	72.20	6.95	79.61
Last week	14 Nov 14	53.50	55.03	48.00	49.80	71.70	6.75	77.91
Last month	24 Oct 14	50.65	56.26	42.85	50.55	73.00	6.38	86.12
Last year	22 Nov 13	69.65	65.18	56.40	54.60	82.00	4.43	109.77
Year-on-year % change		(19%)	(14%)	(12%)	(7%)	(12%)	57%	(27%)
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.

Commodity	Unit	Year Low	Year High	Current Week Price
Gas	p/th	34.70	71.95	56.10
Electricity	£/MWh	34.00	58.30	49.90
Coal	\$/t	69.65	87.30	72.20
Carbon	€/t	4.27	7.22	6.95
Brent crude	\$/bl	77.91	115.20	79.61



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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