

# Energy Wholesale Market Review

Week Ending 31<sup>st</sup> May 2013



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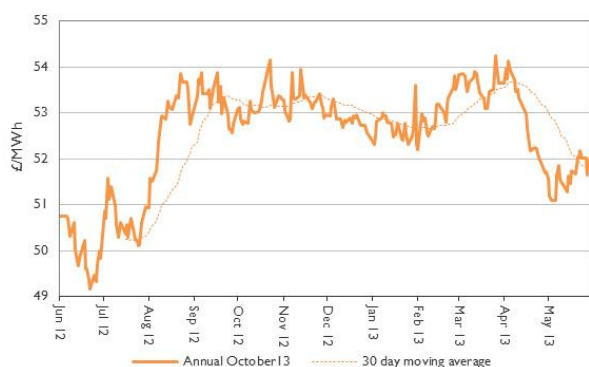
## Headlines

Annual power and gas prices were fairly flat this week as a result of conflicting factors; concerns about supplies pushing up gas prices, and an oversupplied coal market. Annual power dipped 0.1% to £52.0/MWh and annual gas climbed 0.4% to 68.1p/th. The annual baseload power price is now flat compared to the May 2012 average and 2% lower than the 2012 average of £52.9/MWh. Gas generation was less profitable this week as the carbon prices rose, the annual clean spark spread decreased 16% to £2.4/MWh. The annual clean dark spread was also pushed lower by carbon. The spread fell 0.9% to £23.9/MWh. The clean dark spread is now at a £21.6/MWh premium to the clean spark spread. Oil prices dipped slightly this week as Opec oil production volumes have increased to six-month highs. The month-ahead Brent crude oil contract fell 0.7% to a weekly average of \$102.64/bl. On average coal prices remained flat, however the annual contract had fallen to \$90.6/t by 31 May, close to a four-month low.

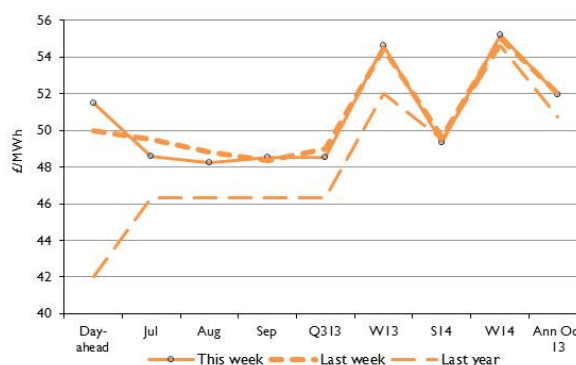
## Baseload electricity

- Longer-term power prices were flat this week as lower coal and rising gas conflicted.
- Annual October 13 baseload power dipped 0.1% to £52.0/MWh.
- Day-ahead power was up 3% as the return of a nuclear power station was delayed.
- The contract is now 16.1% above last month and 6% higher than the 2012 average.

Annual October contract



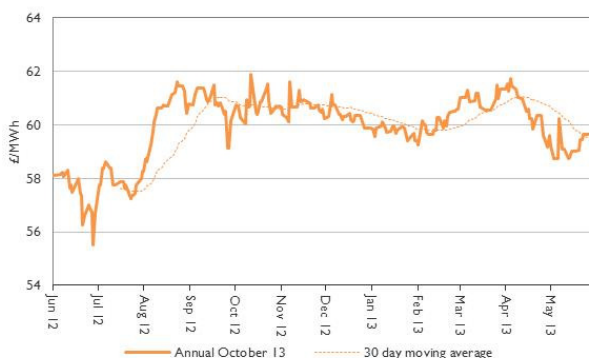
Forward curve comparison



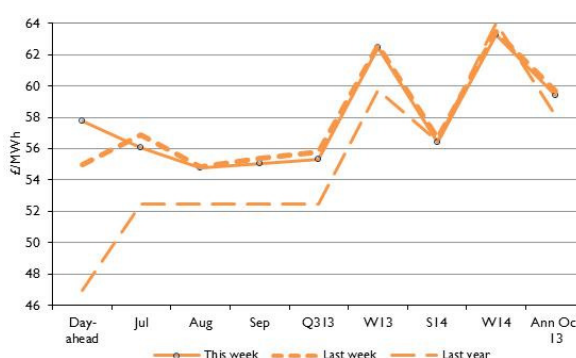
## Peak electricity

- Most peak power prices dropped this week as a result of falling demand and gas.
- The annual October 2013 peak power contract was down 0.4% to £59.4/MWh.
- Day-ahead peak electricity climbed 5% to £57.8/MWh.
- The contract is now 15.5% higher than last month and 23% higher than last year.

Annual October contract



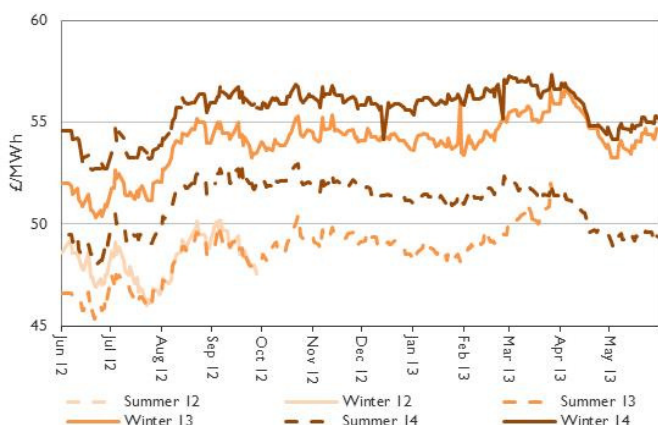
Forward curve comparison





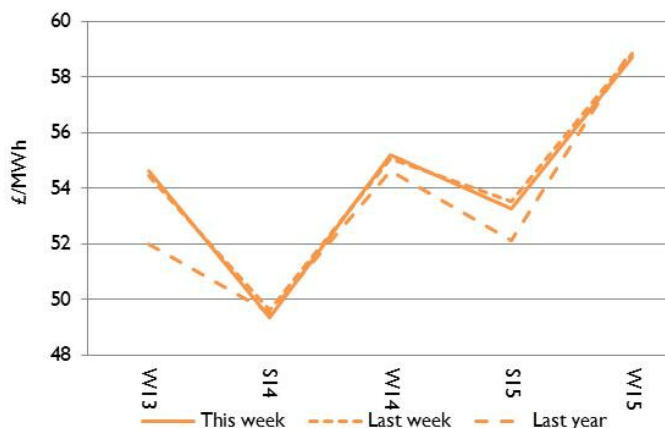
## Seasonal power prices

Seasonal power contracts



- Winter power contracts were up 0.1% on average. Winter 13 electricity rose 0.3% to £54.6/MWh.
- On average summer power contracts fell 0.5%. Summer 14 decreased 0.5% to £49.4/MWh.

Seasonal power curve



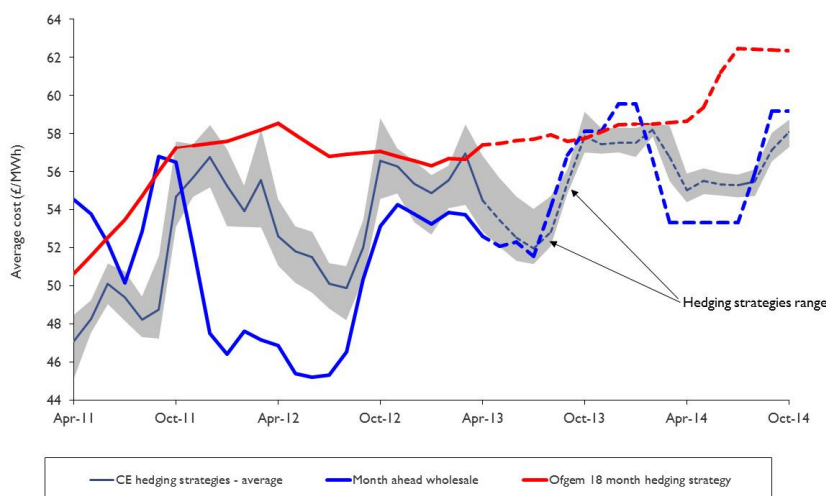
- The winter 13 power contract is now 2.5% above last month's level of £54.6/MWh.
- Winter 13 power is now 5% above the price in 2012, which was £52.0/MWh.

## Supplier hedging strategies

Improving weather and secure supplies have helped UK electricity and gas contracts fall during April. Average month-ahead wholesale power prices for the last four weeks have decreased by 1% compared with the previous month's figures. There has been a decrease in suppliers' cost-based notional hedging strategies, prices are likely to reduce again during the summer, but the fall will not match the large drop seen in summer 2012. It is therefore unlikely there will be a price reduction before next winter. Electricity prices for this winter are expected to be 2% higher than last year. The Department of Energy and Climate Change (DECC) released its estimates of the impact of policies on consumer bills. DECC said its policies have reduced gas and power bills by 5% and by 2020 bills will have been reduced by 11%.

Although both Ofgem's and our assessments show a similar overall trend, the incorporation of nearer-term prices makes our assessments more volatile than Ofgem's smoothed quarterly and seasonally based approach.

### Electricity





## Wholesale price snapshot

Key market indicators:

31/05/2013

	Gas (p/th)		Electricity (£/MWh)		Wood Pellets (€/t)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	Month-ahead	Year-ahead			
This week 31 May 13	67.00	68.13	51.50	51.98	111.55	117.55	90.60	3.97	101.74
Last week 24 May 13	69.25	67.85	50.00	52.03	111.42	117.41	91.30	3.42	102.22
Last month 3 May 13	63.75	66.80	44.35	51.10	108.02	116.44	92.25	3.18	102.86
Last year 1 Jun 12	53.90	62.80	42.00	50.75	102.75	111.63	97.65	6.36	101.87
Year-on-year % change	24%	8%	23%	2%	9%	5.3%	(7%)	(38%)	(0%)
Year high	118.00	71.15	86.00	54.25	114.02	111.85	103.50	9.05	118.81
Year low	52.00	60.45	39.95	47.93	80.68	107.74	90.10	2.70	89.14
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.	120	72	88	54	116.0	119	105	10	120
	115				112.0			9	116
	110				108.0			8	112
	105				104.0			7	108
	100				100.0			6	104
	95	68	76	52	96.0	115		5	100
	90		68	51	92.0	113		4	96
	85		64	50	88.0	111		3	92
	80		60	49	84.0	109		2	88
	75		56	48	80.0	107			



## 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 12 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 75 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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