

Energy Wholesale Market Review

Week Ending 5th July 2013



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Contents

Baseload electricity.....	3
Peak electricity.....	3
Seasonal power prices	4
Supplier hedging strategies	4
Wholesale price snapshot	5



Headlines

Annual power and gas contracts have increased slightly this week on the back of rising oil and carbon prices. Annual October 13 power climbed 0.3% to £51.9/MWh and annual October 13 gas was up 0.2% to 68.34p/th. Gas demand halved this week as temperatures pushed above seasonal norms, which in turn drove short-term prices downwards. Day-ahead power decreased 1.6% to £46.85/MWh; however concerns about gas supplies meant day-ahead gas only fell 0.2% to 63.50p/th. The long-term clean spark spread remained at £1.9/MWh as power and gas prices rose. In contrast the clean dark spread dipped 0.9% to £24.6/MWh; it is now at a £22.6/MWh premium to the clean spark spread. The price of EU carbon averaged €4.48/t over the week. But the price jumped 11.6% to €4.79/t on 3 July after the European Parliament backed plans to back-load allowances. Month-ahead Brent crude oil increased 2.8% to \$104.29/bl over concerns about the crisis in Egypt.

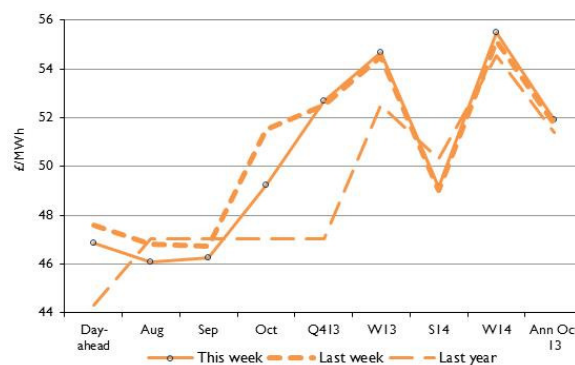
Baseload electricity

- Longer-term contracts increased following the rise in gas, coal and oil.
- Annual October 13 baseload power was up 0.3% to £51.9/MWh; 1.4% higher than last month.
- Day-ahead power dropped 1.6% to £46.9/MWh as a result of falling demand.
- The day-ahead contract is now 11% higher than June 2012.

Annual October contract



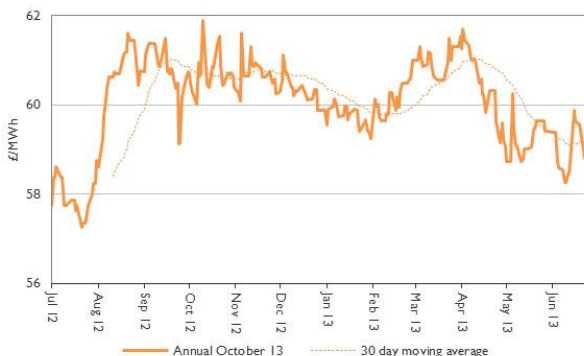
Forward curve comparison



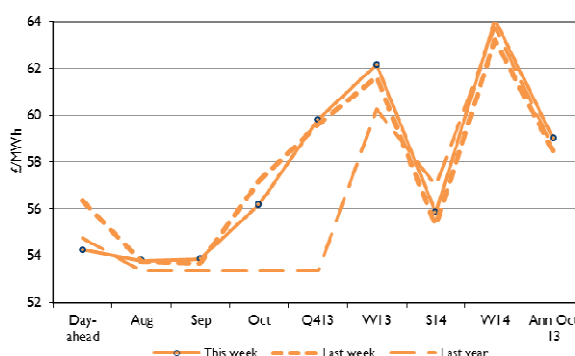
Peak electricity

- Peak power followed the trend in baseload power.
- The annual October 2013 peak power contract climbed 0.9% to £59.0/MWh.
- Day-ahead peak electricity fell 3.7% to £54.3/MWh.
- The contract is now 3.3% higher than last month and 1% lower than last year.

Annual October contract



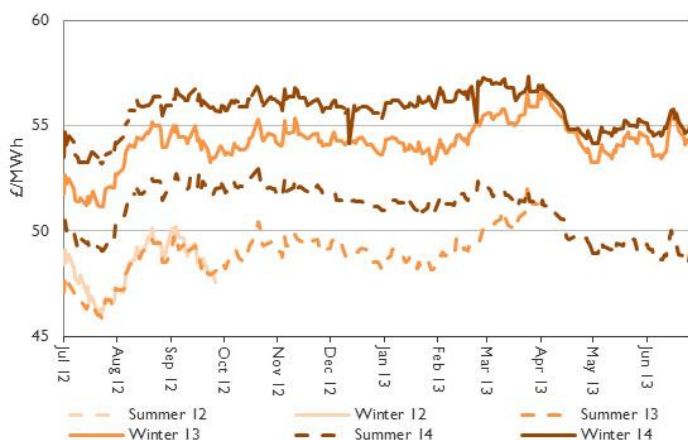
Forward curve comparison





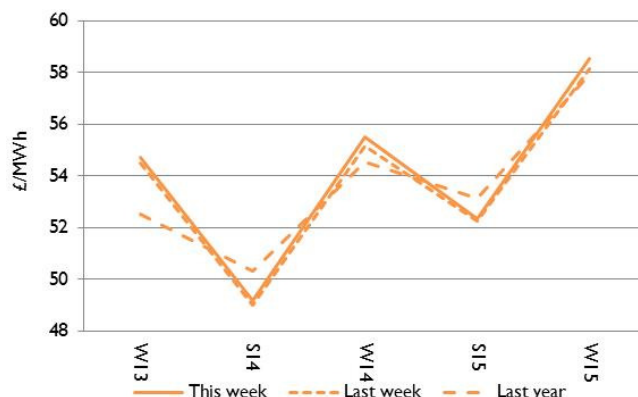
Seasonal power prices

Seasonal power contracts



- Winter power contracts were up 0.6% on average. Winter 13 electricity rose 0.4% to £54.7/MWh.
- On average summer power contracts climbed 0.2%. Summer 14 increased 0.3% to £49.2/MWh.

Seasonal power curve



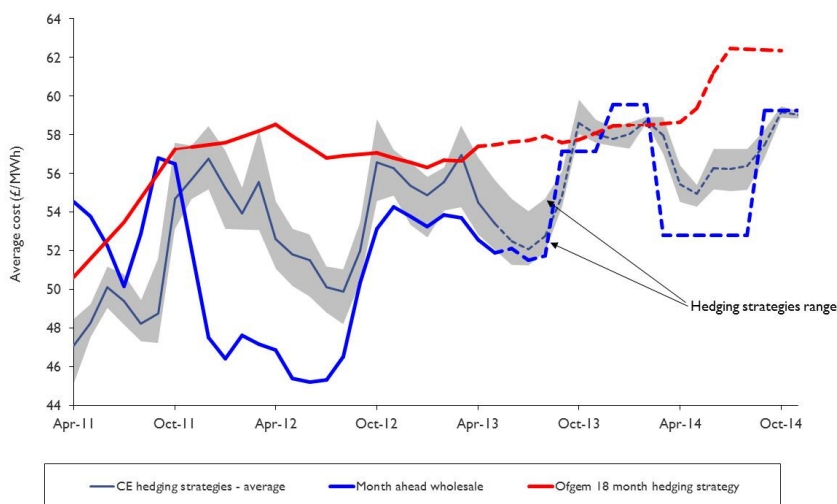
- The winter 13 power contract is now 2.1% above last month's level of £53.6/MWh.
- Winter 13 power is now 4.2% above the price in 2012, which was £52.5/MWh.

Supplier hedging strategies

Improving weather and secure supplies have helped UK electricity and gas contracts fall during May. Average month-ahead wholesale power prices for the last four weeks have decreased by 3% 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:

05/07/2013

		Gas (p/th)		Electricity (£/MWh)		Wood Pellets (€/t)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	Month-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	5 Jul 13	63.50	68.34	46.85	51.93	111.11	116.27	86.45	4.65	105.65
Last week	28 Jun 13	63.60	68.18	47.60	51.75	111.42	117.03	85.10	4.45	103.06
Last month	7 Jun 13	60.00	67.02	47.10	51.20	110.59	116.57	89.30	4.07	103.65
Last year	6 Jul 12	57.85	63.45	44.30	51.40	102.40	112.29	98.20	8.37	100.70
Year-on-year % change		10%	8%	6%	1%	9%	3.5%	(12%)	(44%)	5%
Year high		118.00	71.15	86.00	54.25	111.18	120.54	103.50	9.05	118.81
Year low		52.00	60.65	39.95	48.08	102.40	110.05	86.45	2.70	91.01
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	112	121	105	10	120
		115		84		110		100	9	116
		110		80	53	108		95	8	112
		105		76	52	106		90	7	108
		100	68	72	51	104		85	6	104
		95		68	50	102			5	100
		90		64	49				4	96
		85		60	48				3	92
		80		56	44				2	88
		75		52						



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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