

# Energy Wholesale Market Review

Week Ending 12<sup>th</sup> June 2013



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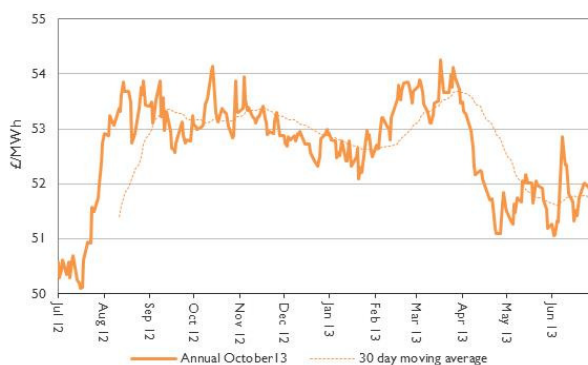
## Headlines

Annual power and gas prices climbed slightly this week, upwards pressure was applied by rising oil contracts but gains were limited by low demand caused by warmer summer weather. Annual October 13 gas climbed 0.4% to 68.6p/th but its electricity counterpart was up only 0.1% to £52.0/MWh. Low wind speeds caused day-ahead power to rise 1% to £47.3/MWh. The long-term clean sparks spread was up 2% to £2.0/MWh as a result of lower carbon. The same clean dark spread also increased, rising 3.5% to £24.7/MWh, the dark spread is now at a £22.8/MWh premium to the clean spark spread. Month-ahead Brent crude oil hit a 12-week high of \$108.8/bl on Thursday following the announcement that the US would continue with its economic stimulus measures. On average coal prices remained stable at \$86.2/t and oversupply continues to affect the market. Carbon prices dipped 7.3% to a weekly average of €4.2/t as fewer utilities were buying allowances at recent auctions.

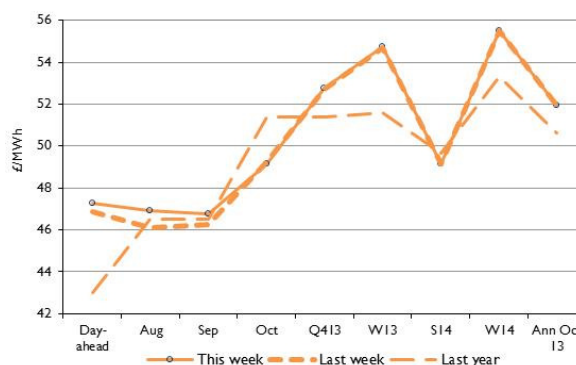
## Baseload electricity

- Longer-term power saw very little movement despite the rise in oil and gas.
- Annual October 13 baseload power was up 0.1% to £52.0/MWh; 1.3% higher than last month.
- Day-ahead power rose 1% to £47.3/MWh mirroring the rise in gas.
- Low wind speeds helped day-ahead power rise 5.2% above last month's level.

Annual October contract



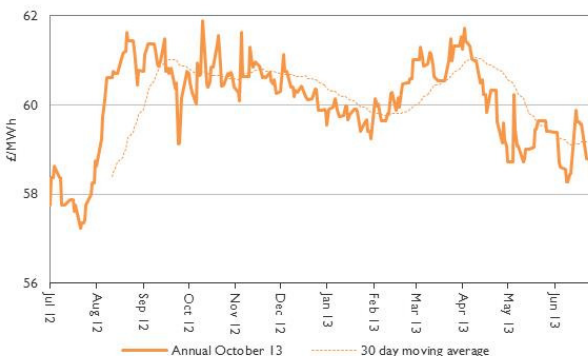
Forward curve comparison



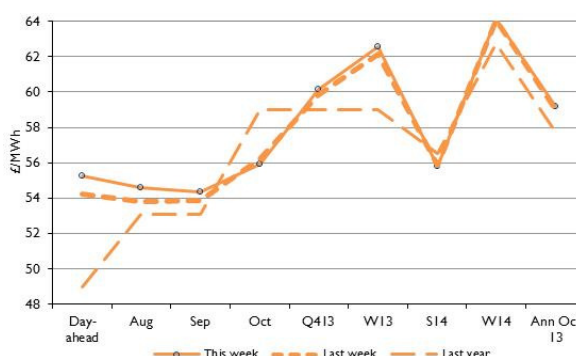
## Peak electricity

- Peak power followed the trend in baseload power.
- The annual October 2013 peak power contract climbed 03% to £59.2/MWh.
- Day-ahead peak electricity rose 1.8% to £55.3/MWh.
- The contract is now 2.8% higher than last month and 13% higher than last year.

Annual October contract



Forward curve comparison





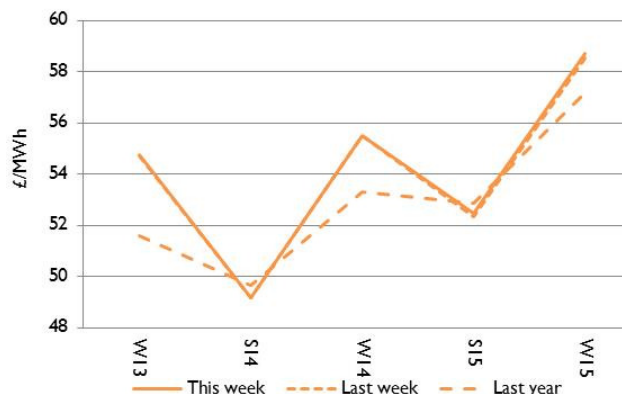
## Seasonal power prices

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



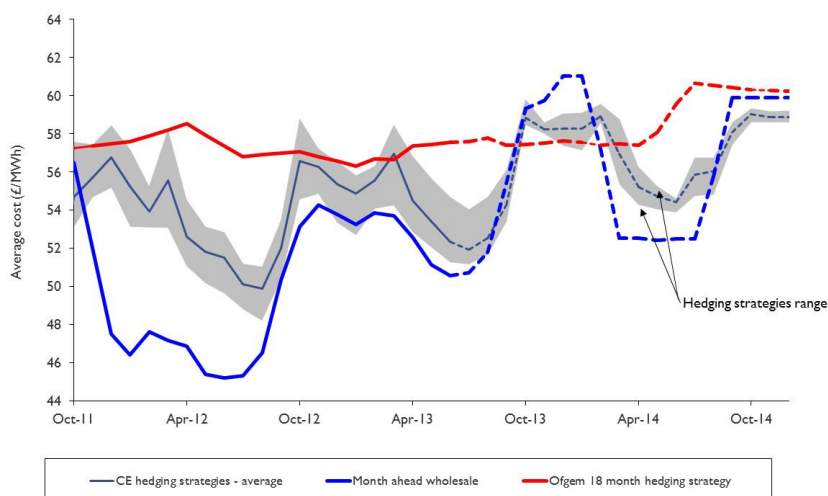
- The winter 13 power contract is now 2.1% above last month's level of £53.6/MWh.
- Winter 13 power is now 4.2% above the price in 2012, which was £52.5/MWh.

## Supplier hedging strategies

Improving weather helped UK electricity and gas contracts fall during June. 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 over the summer. However prices are likely to start increasing in August as demand rises, 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:

12/07/2013

|   | 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 12 Jul 13   | 64.40      | 68.62      | 47.30               | 51.96      | 112.44             | 117.66     | 85.50  | 4.08   | 107.73      |
| Last week 5 Jul 13  | 63.50      | 68.34      | 46.85               | 51.93      | 111.42             | 117.95     | 86.45  | 4.65   | 105.65      |
| Last month 14 Jun 13  | 61.20      | 67.10      | 46.90               | 51.30      | 111.18             | 116.46     | 87.00  | 4.52   | 104.49      |
| Last year 13 Jul 12   | 57.00      | 62.30      | 43.00               | 50.63      | 101.17             | 110.70     | 96.00  | 7.57   | 101.98      |
| Year-on-year % change   | 13%        | 10%        | 10%                 | 3%         | 11%                | 6.3%       | (11%)  | (46%)  | 6%          |
| Year high   | 118.00     | 71.15      | 86.00               | 54.25      | 111.31             | 120.54     | 103.50 | 9.05   | 118.81      |
| Year low  | 52.00      | 61.23      | 39.95               | 48.53      | 101.17             | 110.05     | 85.00  | 2.70   | 97.70       |
| 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        |            | 80                  | 53         | 110                | 119        |        | 9      | 116         |
|   | 105        |            | 76                  |            |                    |            |        |        |             |
|   | 100        |            | 72                  | 52         | 108                | 117        |        | 8      | 112         |
|   | 95         | 68         | 68                  |            |                    |            | 100    |        | 108         |
|   | 90         |            | 64                  | 51         | 106                | 115        | 95     | 7      | 104         |
|   | 85         |            | 60                  |            |                    |            |        | 6      | 100         |
|   | 80         |            | 56                  | 50         | 104                | 113        | 90     | 5      | 96          |
|   | 75         |            | 52                  |            |                    |            |        | 4      | 92          |
|   | 70         |            | 48                  | 49         |                    | 111        |        | 3      | 88          |
|   | 65         |            | 44                  |            | 102                |            | 85     |        |             |
|   | 60         |            | 40                  | 48         |                    | 109        |        | 2      |             |
|   | 55         |            |                     |            |                    |            |        |        |             |
|   | 50         |            |                     |            |                    |            |        |        |             |



## 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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