

# Energy Wholesale Market Review

Week Ending 19<sup>th</sup> July 2013



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## Headlines

There was very little change in power and gas prices this week. The warmer summer weather pulled demand downwards but this was offset by concerns about supplies. Annual October 13 power remained at £52.0/MWh, it is now 2% lower than the 2012 average. Annual October 13 gas dropped 0.5% to 72.3p/th, and the contract is now 4% higher than the 2012 average. The annual clean spark spread is now 57% lower than last year after climbing 5% to £2/MWh as a result of the fall in gas prices. In contrast the annual clean dark spread fell 0.7% to £24.8/MWh; although it is now 18% higher than last year. Month-ahead Brent crude oil reached a three-month high of \$109.4/bl on 16 July as a result of supply disruptions in Africa. Coal prices remained stable at \$86.3/t and carbon prices dropped 1.5% to a weekly average of €4.1/t on weak trading activity. DECC released its fossil fuel price predictions alongside the draft Delivery Plan for EMR. The central scenario has average gas prices of 66.7p/th in 2014 and 73.8p/th by 2018.

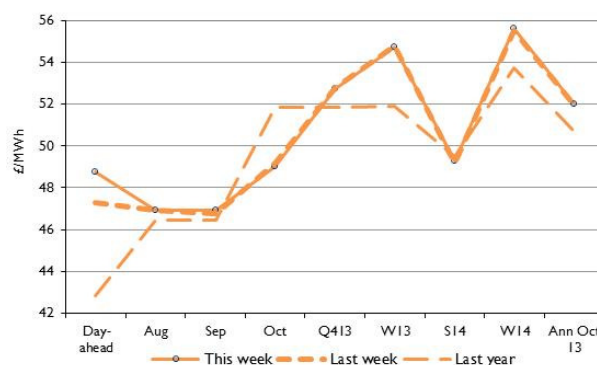
## Baseload electricity

- Most baseload power prices saw very little movement this week.
- Annual October 13 baseload remained at £52.0/MWh; 0.3% higher than last month.
- In contrast, day-ahead power rose 3.1% to £48.8/MWh, 10.8% higher than last month.
- Lower nuclear output and higher gas prices were the drivers of increased day-ahead power prices this week.

Annual October contract



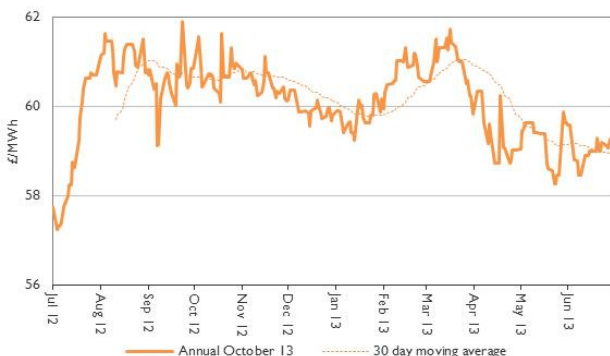
Forward curve comparison



## 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 2.7% to £56.8/MWh.
- The contract is now 13.5% higher than last month and 16% higher than last year.

Annual October contract



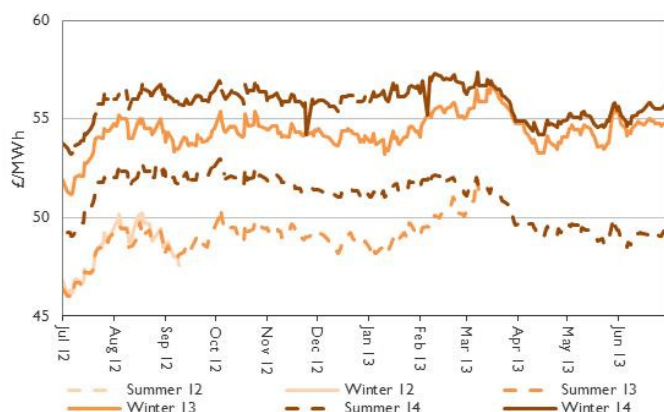
Forward curve comparison





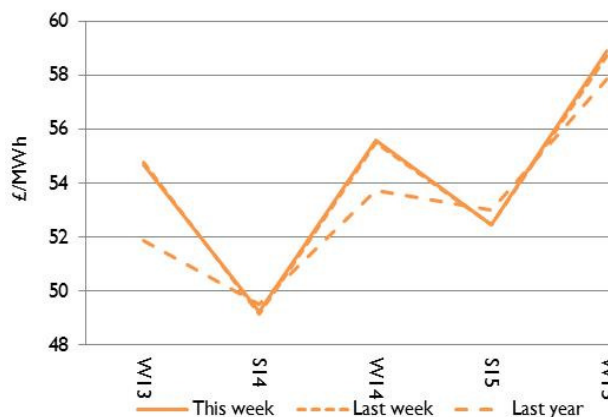
## Seasonal power prices

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



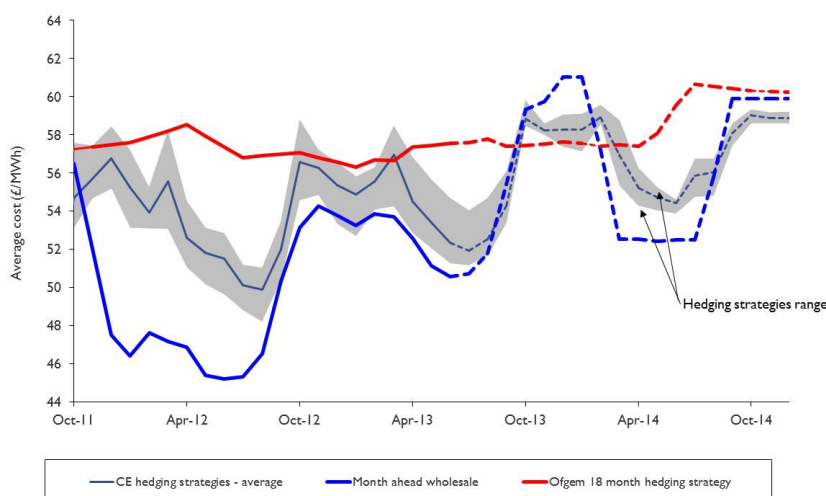
- The winter 13 power contract is now 2.1% above last month's level of £53.6/MWh.
- Winter 13 power is now 4.2% above the price in 2012, which was £52.5/MWh.

## 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:

19/07/2013

		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	19 Jul 13	65.00	68.50	48.75	51.98	111.54	117.54	86.40	4.12	108.62
Last week	12 Jul 13	64.40	68.62	47.30	51.96	111.42	118.09	85.50	4.08	107.73
Last month	21 Jun 13	57.90	68.00	44.00	51.83	111.31	116.61	86.45	4.55	102.66
Last year	20 Jul 12	54.20	63.03	42.85	50.70	100.54	110.05	98.75	6.88	107.24
Year-on-year % change		20%	9%	14%	3%	11%	6.8%	(13%)	(40%)	1%
Year high		118.00	71.15	86.00	54.25	112.71	120.54	103.50	9.05	118.81
Year low		52.00	61.35	39.95	48.53	100.54	110.05	85.00	2.70	97.70
<p>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.</p>		120	72	88	54	112	121	105	10	120
		115		84		110		100	9	116
		110		80	53	108	119	95	8	112
		105		76	52	106	117	90	7	108
		100	68	72	51	104	115	85	6	104
		95		68	50	102	113		5	100
		90		64	49		111		4	96
		85		60	48		109		3	92
		80		56					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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