

Energy Wholesale Market Review

Week Ending 26th July 2013



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Headlines

There was very little movement in long-term power and gas prices this week as carbon, coal and oil were relatively unchanged. Annual October 13 power dipped 0.2% to £51.9/MWh, it is now 2% lower than the 2012 average. Annual October 13 gas dropped 0.2% to 68.4p/th, and the contract is now 4% higher than the 2012 average. Short-term prices saw greater movement as outages in the North Sea pushed up gas prices and rising coal generation pulled power prices down. The annual clean spark spread is now 58% lower than last year after falling 5% to £1.9/MWh as a result of the fall in power prices. In contrast the annual clean dark spread rose 0.3% to £25.0/MWh. The contract is now at a £23.1/MWh premium to the annual clean spark spread. Month-ahead Brent crude dropped 0.7% to a weekly average of \$107.1/bl following weak Chinese economic data. Coal prices were down 0.7% to a weekly average of \$85.6/t after the European Investment Bank said it planned to reduce support to the sector. Carbon prices climbed 3.9% to a weekly average of €4.4/t as a result of lower allowance supply.

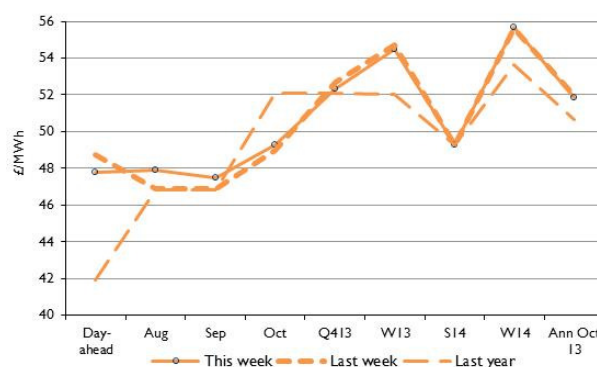
Baseload electricity

- Most power prices were fairly stable this week.
- Annual October 13 baseload dipped 0.2% to £51.9/MWh; 0.2% higher than last month.
- Day-ahead power saw a 1.9% fall to a two-week low of £47.8/MWh.
- The fall was driven by an increase in coal fired generation pushing gas off the system.

Annual October contract



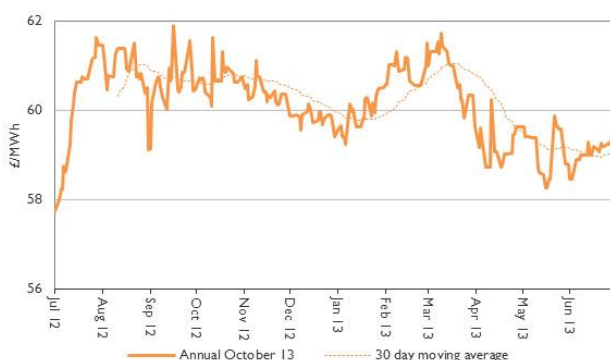
Forward curve comparison



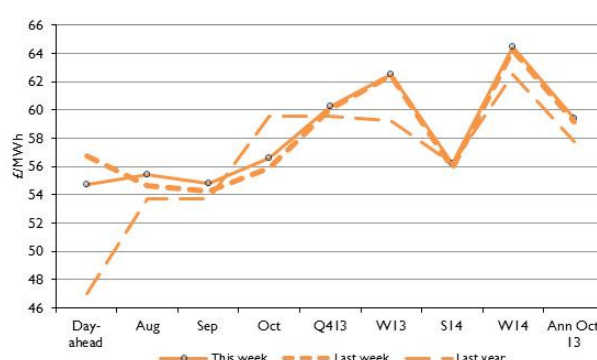
Peak electricity

- Most peak power prices rose this week with the exception of the day-ahead contract.
- The annual October 2013 peak power contract climbed 0.3% to £59.4/MWh.
- Day-ahead peak electricity fell 3.5% to £54.8/MWh.
- The contract is now 3% lower than last month and 16% higher than last year.

Annual October contract



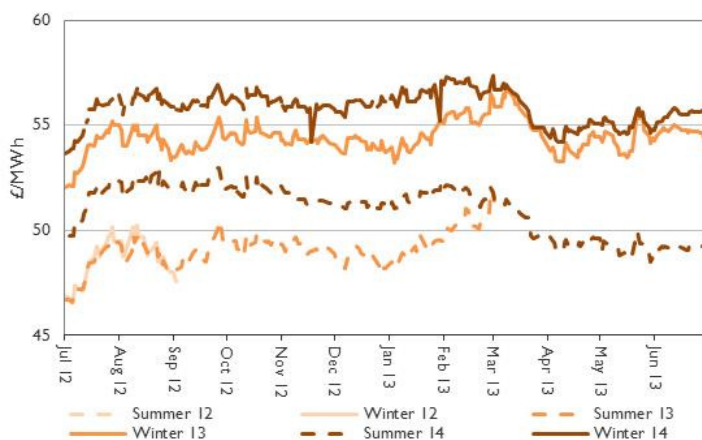
Forward curve comparison



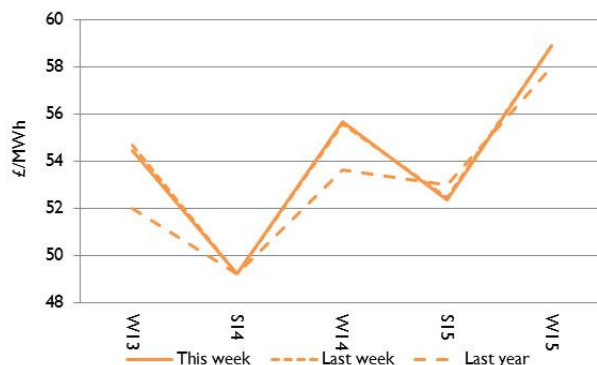


Seasonal power prices

Seasonal power contracts



Seasonal power curve



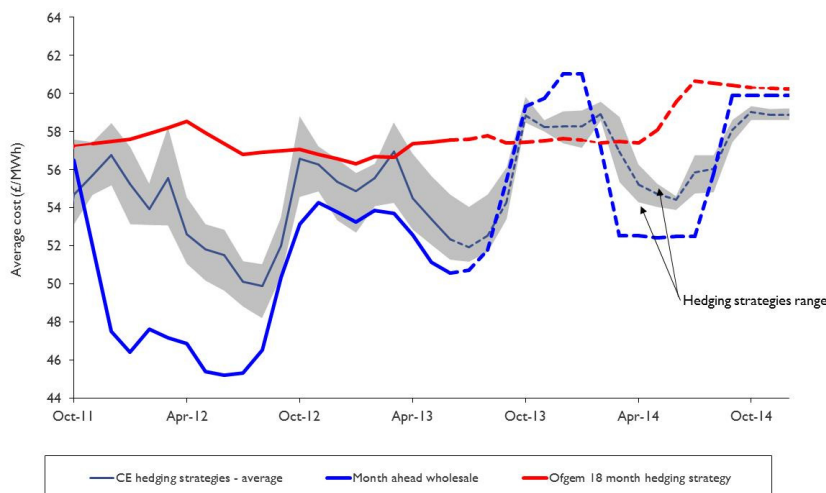
- Winter power contracts were down 0.1% on average. Winter 13 electricity fell 0.5% to £54.5/MWh.
- On average summer power contracts were flat. Summer 14 remained at £49.3/MWh.
- The winter 13 power contract is now 0.1% below last month's level of £54.5/MWh.
- Winter 13 power is now 4.7% above the price in 2012, which was £52.0/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:

26/07/2013

		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	26 Jul 13	65.50	68.35	47.80	51.85	111.40	117.40	85.50	4.33	107.30
Last week	19 Jul 13	65.00	68.50	48.75	51.98	111.42	117.27	86.40	4.12	108.62
Last month	28 Jun 13	63.60	68.18	47.60	51.75	111.77	117.03	85.10	4.45	103.06
Last year	27 Jul 12	54.00	63.00	41.90	50.63	101.13	110.70	97.80	6.96	105.90
Year-on-year % change		21%	8%	14%	2%	10%	6.1%	(13%)	(38%)	1%
Year high		118.00	71.15	86.00	54.25	112.85	120.54	103.50	9.05	118.81
Year low		52.00	62.50	39.95	49.33	101.13	110.50	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	55	114	121	105	10	120
		115	70	84	54	112	119	100	9	116
		110	68	80	53	110	117	95	8	112
		105	66	76	52	108	115	90	7	108
		100	64	72	51	106	113	85	6	104
		95	62	68	50	104	111		5	100
		90		64	49	102	109		4	96
		85		60					3	
		80		56					2	
		75		52						
		70		48						
		65		44						
		60		40						
		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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