

Energy Wholesale Market Review

Week Ending 2nd August 2013



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Headlines

Annual power and gas prices saw an increase for the first time in two weeks as oil prices climbed to a three-month high. Annual October 13 power was up 0.4% to £52.1/MWh and annual October 13 gas rose 0.3% to 68.6p/th.

Short-term gas prices were pushed up by the beginning of maintenance at Norwegian gas fields but power was pulled down by higher nuclear and wind output. The annual clean spark spread is now 79% lower than last year after rising 1% to £1.0/MWh as a result of the rise in power prices. The annual clean dark spread rose 5% to £22.5/MWh.

The contract is now at a £21.5/MWh premium to the annual clean spark spread. Month-ahead Brent crude increased to a three-month high of \$109.7/bl as the US released better than expected economic data. Coal prices dropped to a three-year low of £83.7/t and a reduced allowance supply has pushed carbon prices up 1.6% to a weekly average of €4.3/t.

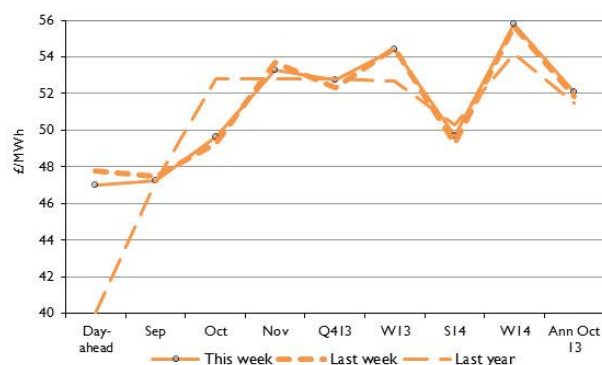
Baseload electricity

- Longer-term prices saw a rise on the back of oil and gas prices this week.
- Annual October 13 baseload rose 0.4% to £52.1/MWh, 0.3% higher than last month.
- Day-ahead power saw a 1.7% fall to a three-week low of £47.0/MWh.
- The fall was driven by the return of the Sizewell B nuclear power station and high wind output.

Annual October contract



Forward curve comparison



Peak electricity

- Most peak power prices rose this week following the rise in gas.
- The annual October 2013 peak power contract climbed 0.4% to £59.6/MWh.
- Day-ahead peak electricity rose 3.6% to £56.7/MWh.
- The contract is now 4.5% higher than last month and 25% higher than last year.

Annual October contract



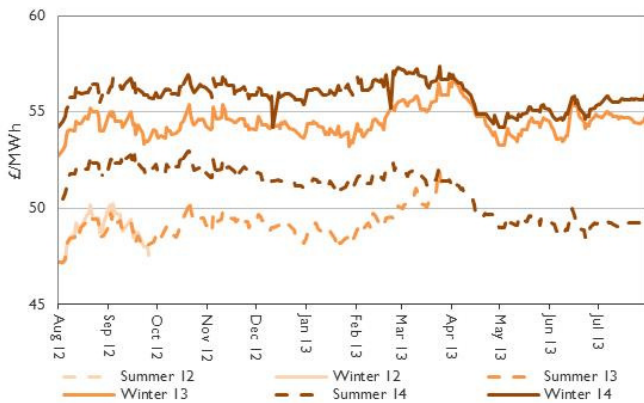
Forward curve comparison





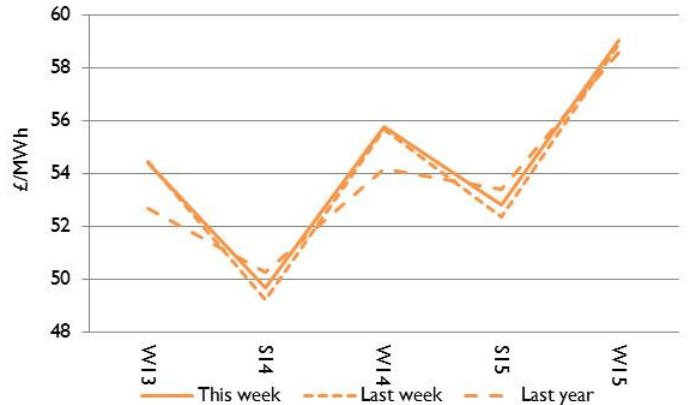
Seasonal power prices

Seasonal power contracts



- Winter power contracts were up 0.1% on average. Winter 13 electricity fell 0.1% to £54.4/MWh.
- On average summer power contracts were up 0.9%. Summer 14 increased 0.9% to £49.7/MWh.

Seasonal power curve



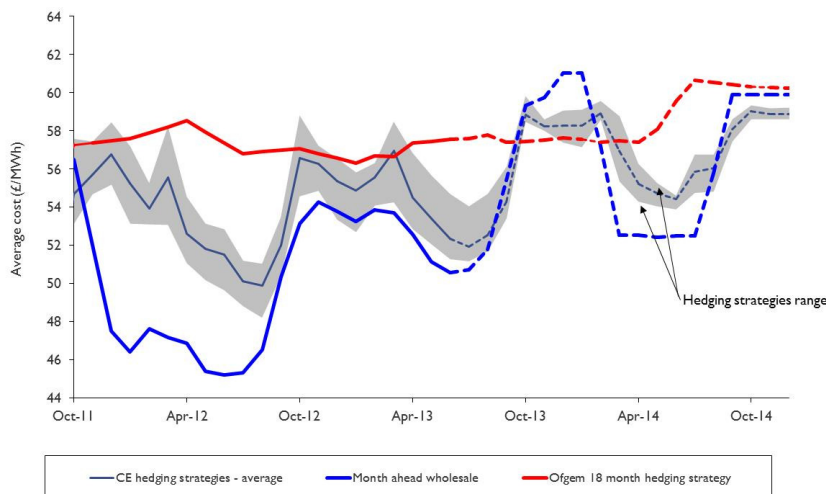
- The winter 13 power contract is now 0.5% below last month's level of £54.7/MWh.
- Winter 13 power is now 3.2% above the price in 2012, which was £52.7/MWh.

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:

02/08/2013

		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	2 Aug 13	65.95	68.58	47.00	52.06	113.20	118.93	83.70	4.37	109.71
Last week	26 Jul 13	65.50	68.35	47.80	51.85	111.42	117.40	85.50	4.33	107.30
Last month	5 Jul 13	63.50	68.34	46.85	51.93	112.61	117.95	86.45	4.65	105.65
Last year	3 Aug 12	52.25	63.95	40.00	51.50	103.47	111.23	99.10	7.14	106.91
Year-on-year % change		26%	7%	18%	1%	9%	6.9%	(16%)	(39%)	3%
Year high		84.97	71.15	86.00	54.25	112.85	120.54	103.50	9.05	118.81
Year low		52.00	63.38	40.00	49.95	108.72	110.50	83.70	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>										



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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