

# Energy Wholesale Market Review

Week Ending 9<sup>th</sup> August 2013



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## Headlines

The UK power and gas markets were down this week as a result of lower demand and falling commodity prices.

Annual October 13 power was down 0.7% to £51.7/MWh and annual October 13 gas fell 0.9% to 68.0p/th.

Short-term power prices fell as a result of falling demand and rising wind output but gas prices remained high due to North Sea gas maintenance. The annual clean spark spread remained stable at £1.0/MWh and is now 78% lower than last year. The annual clean dark spread rose 0.7% to £22.5/MWh and is at a £21.8/MWh premium to the annual clean spark spread. Month-ahead Brent crude dropped to a weekly low of \$106.9/bl as oil production in the North Sea reached a seven-month high. Coal prices dropped to a 40-month low of £82.4/t and increased demand for carbon pushed EU ETS allowances up 3.7% to a weekly average of €4.5/t.

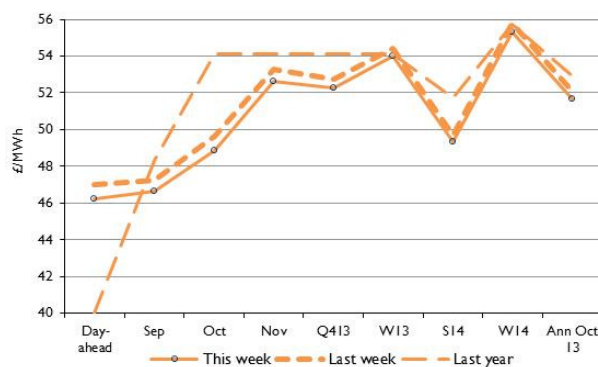
## Baseload electricity

- Lower gas and coal pulled baseload power prices down this week.
- Annual October 13 baseload fell 0.7% to £51.7/MWh, 0.5% lower than last month.
- Day-ahead power saw a 1.7% fall to a five-week low of £42.2/MWh.
- The fall was driven by lower demand and rising wind output.

### Annual October contract



### Forward curve comparison



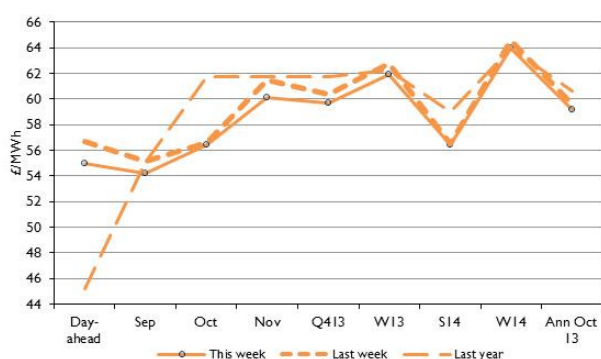
## Peak electricity

- Peak power contracts fell across the board last week.
- The annual October 2013 peak power contract dropped 0.7% to £59.2/MWh
- Day-ahead peak electricity dropped 3% to £55.0/MWh.
- The contract is now 0.5% lower than last month and 22% higher than last year.

### Annual October contract



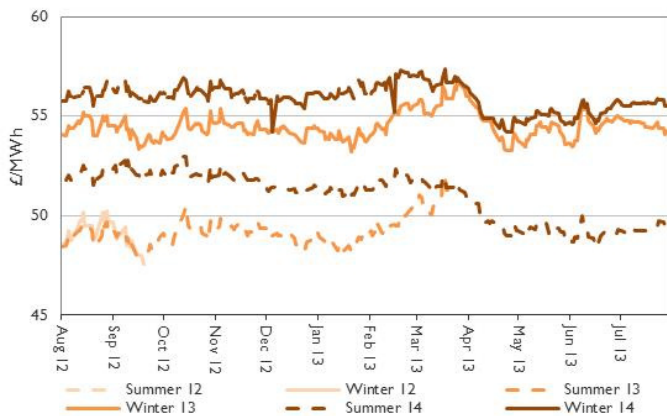
### Forward curve comparison



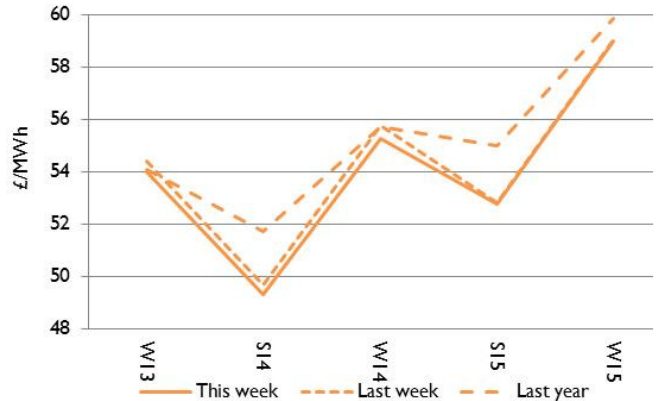


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve



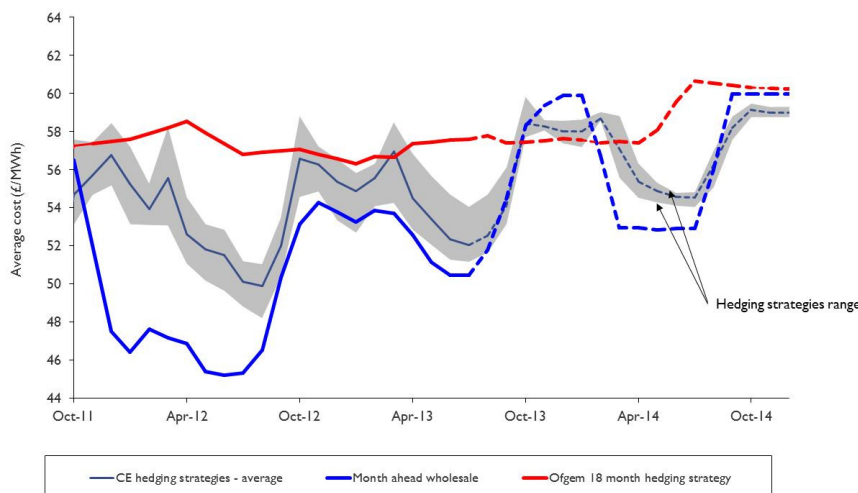
- Winter power contracts were down 0.6% on average. Winter 13 electricity fell 0.8% to £54.0/MWh.
- On average summer power contracts fell 0.4%. Summer 14 decreased 0.7% to £49.4/MWh.
- The winter 13 power contract is now 1.4% below last month's level of £54.8/MWh.
- Winter 13 power is now 0.2% below the price in 2012, which was £54.0/MWh.

## Supplier hedging strategies

Improving weather helped UK electricity and gas contracts fall during July, average month-ahead wholesale power prices for the last four weeks have decreased by 1% 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 September 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 5% 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:

09/08/2013

	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	9 Aug 13	66.25	67.97	46.20	51.68	110.84	116.51	82.50	4.56	106.96
Last week	2 Aug 13	65.95	68.58	47.00	52.06	111.42	118.12	83.70	4.37	109.71
Last month	12 Jul 13	64.40	68.62	47.30	51.96	112.74	118.09	85.50	4.08	107.73
Last year	10 Aug 12	54.00	66.18	40.00	52.93	103.27	110.52	102.15	7.13	112.64
Year-on-year % change		23%	3%	16%	(2%)	7%	5.4%	(19%)	(36%)	(5%)
Year high		118.00	71.15	86.00	54.25	112.85	120.54	103.50	9.05	118.81
Year low		52.00	64.30	40.00	49.95	108.72	110.50	82.40	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.



## 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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