

# Energy Wholesale Market Review

Week Ending 23<sup>rd</sup> August 2013



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## Headlines

Power prices saw little movement this week as lower gas prices were limited by rises in oil. Annual October 13 power remained at £51.4/MWh and annual October 13 gas fell 0.1% to 67.3p/th. Short-term power prices rose as a result of falling wind output and lower nuclear generation, but these gains were limited by drops in gas prices due to lower regional demand. The annual clean spark spread decreased 2% to £1.2/MWh as power prices fell; it is now 76% lower than last year. The annual clean dark spread dipped 0.9% to £22.3/MWh and is at a £21.1/MWh premium to the annual clean spark spread. Month-ahead Brent crude remained high at a weekly average of \$109.6/bl following predictions of lower supply next year. Coal markets remained well supplied with a dip of 0.1% to a weekly average of \$83.6/t, and EU ETS carbon allowances rose 0.1% to a weekly average of €4.4/t.

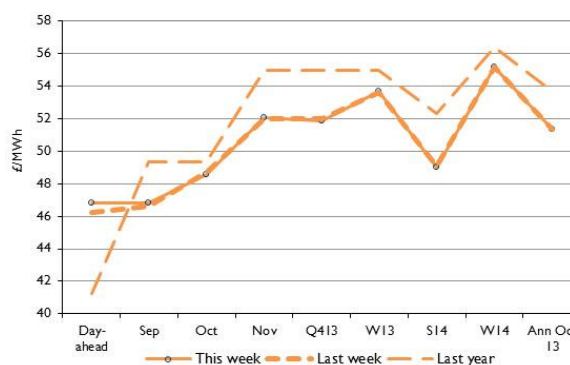
## Baseload electricity

- Movement was limited on the baseload power market this week.
- Annual October 13 baseload remained at £51.4/MWh, 0.9% lower than last month.
- Day-ahead power saw a 0.3% rise to £46.9/MWh over the week as a result of a lower wind forecast.
- The contract reached a weekly high of £46.9/MWh on Thursday 22 August due to low nuclear output and higher gas prices.

Annual October contract



Forward curve comparison



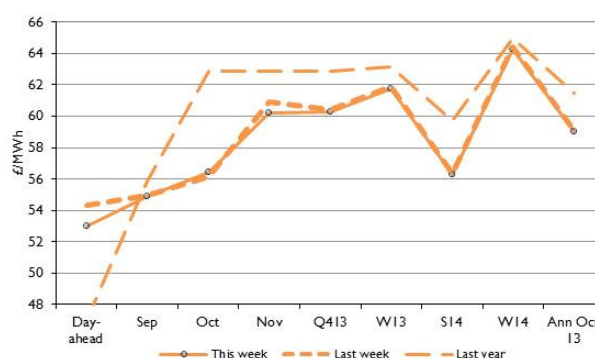
## Peak electricity

- Most peak power contracts fell this week following falling gas contracts.
- The annual October 2013 peak power contract dropped 0.2% to £59.0/MWh.
- Day-ahead peak electricity dropped 2.4% to £53.0/MWh.
- The contract is now 3.2% lower than last month and 13% higher than last year.

Annual October contract



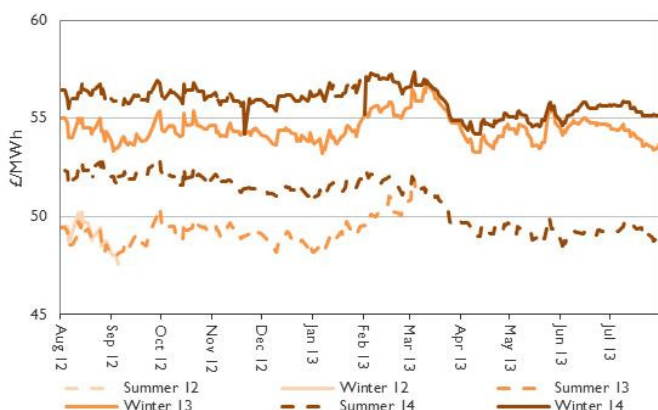
Forward curve comparison





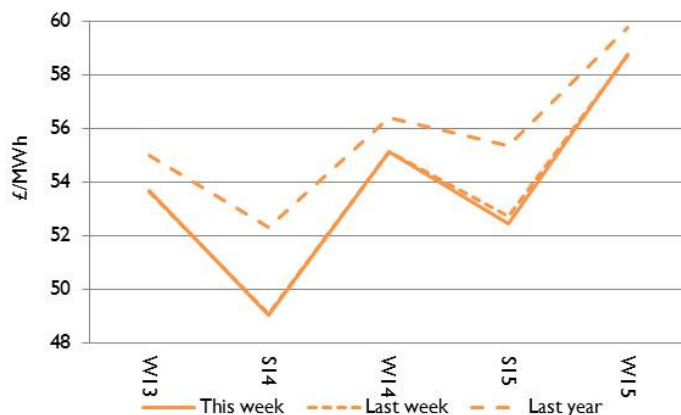
## Seasonal power prices

### Seasonal power contracts



- Winter power contracts remained the same overall this week compared to last week on average. Winter 13 electricity fell 0.6% to £53.7/MWh.
- On average summer power contracts fell 0.3%. Summer 14 decreased 0.1% to £49.1/MWh.

### Seasonal power curve



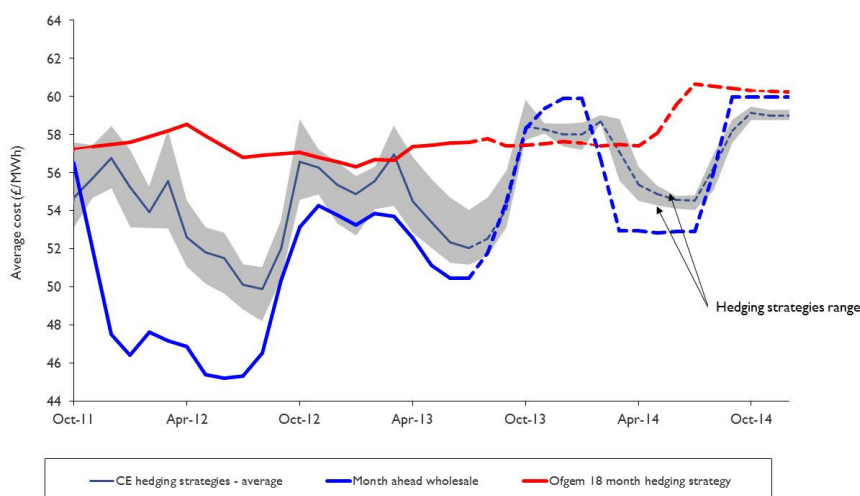
- The winter 13 power contract is now 1.4% below last month's level of £54.5/MWh.
- Winter 13 power is now 2.4% below the price in 2012, which was £55.0/MWh.

## 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:

23/08/2013

	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 23 Aug 13	64.50	67.29	46.85	51.38	110.00	115.57	83.60	4.53	109.88
Last week 16 Aug 13	65.25	67.35	46.25	51.38	111.42	114.01	83.60	4.36	109.73
Last month 26 Jul 13	65.50	68.35	47.80	51.85	111.42	117.40	85.50	4.33	107.30
Last year 24 Aug 12	55.50	66.58	41.25	53.68	104.29	111.18	99.75	8.06	114.39
Year-on-year % change	16%	1%	14%	(4%)	5%	4.0%	(16%)	(44%)	(4%)
Year high	118.00	71.15	86.00	54.25	112.85	120.54	103.50	9.05	118.81
Year low	54.75	64.30	40.00	50.63	108.72	111.18	82.40	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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