

# Energy Wholesale Market Review

Week Ending 13<sup>th</sup> September 2013



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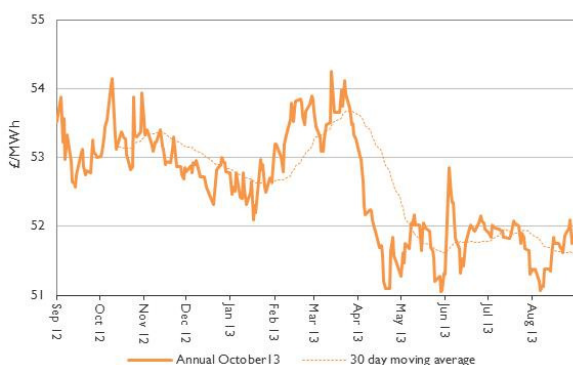
## Headlines

Power and gas prices for this winter rose as a result of concerns about winter supplies, as well as higher carbon and coal prices. Annual October 13 power rose 0.1% to £52.0/MWh and annual October 13 gas remained at 67.6p/th. Day-ahead contracts saw a notable increase week-on-week as temperatures fell and demand increased, pushing day-ahead power up 11.3% to £47.0/MWh. Rising carbon prices pulled annual clean spark and dark spreads down this week. The annual clean spark spread dropped 9% to £1.3/MWh while the dark spread is now at a £19.6/MWh premium to its gas counterpart. Month-ahead Brent crude oil dropped 1.9% to a weekly average of \$112.8/bl as the US postponed a vote on military action in Syria in favour of a possible diplomatic solution. Carbon prices climbed 15.5% to a weekly average of €5.3/t as the EU reduced the level of free allowances and energy prices increased across the continent.

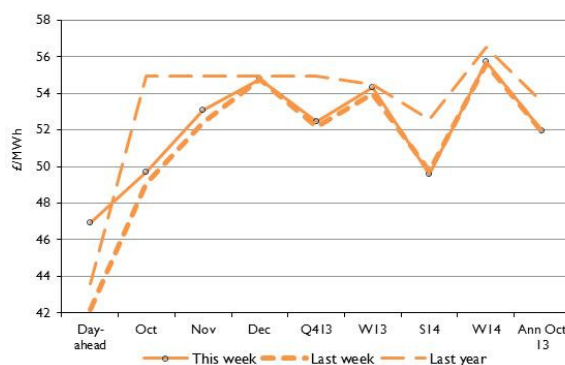
## Baseload electricity

- Following the rise in carbon, coal and gas winter 13 power rose 0.6% to a monthly high of £54.3/MWh.
- Annual October 13 baseload increased to £52.0/MWh, 0.1% higher than the previous week.
- Day-ahead power saw an 11.3% rise to £47.0/MWh.
- Prices rose as demand increased and wind power forecasts for the middle of the week were low.

### Annual October contract



### Forward curve comparison



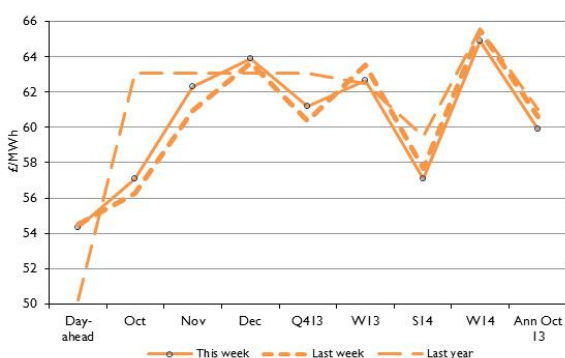
## Peak electricity

- Seasonal peak power contracts decreased week-on-week.
- The annual October 2013 peak power contract fell by 1.2% to £59.9/MWh.
- Day-ahead peak electricity dropped 0.3% to £54.4/MWh despite increases in gas.
- However, the contract is 0.1% higher than last month and is now 8% above last year.

### Annual October contract



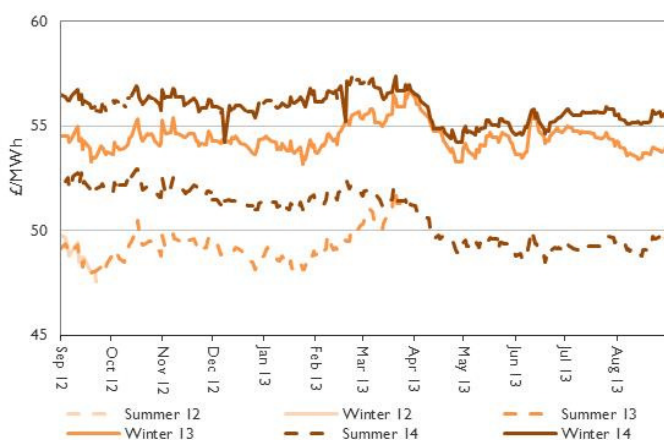
### Forward curve comparison





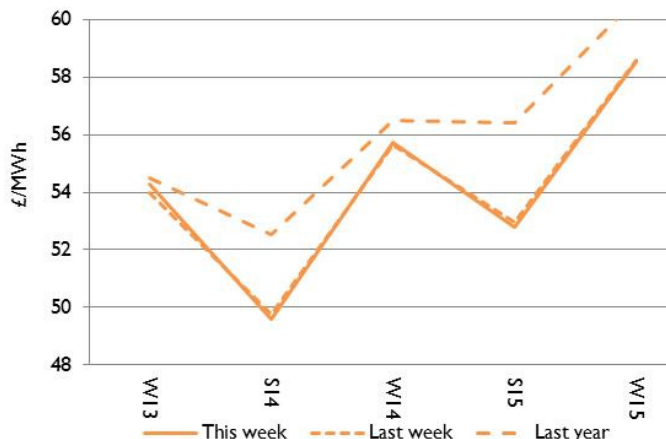
## Seasonal power prices

### Seasonal power contracts



- Overall this week, winter power contracts increased 0.2% on average. Winter 13 electricity rose 0.6% to £54.3/MWh.
- On average summer power contracts dipped 0.3%. Summer 14 decreased by 0.3%, falling to £49.6/MWh.

### Seasonal power curve



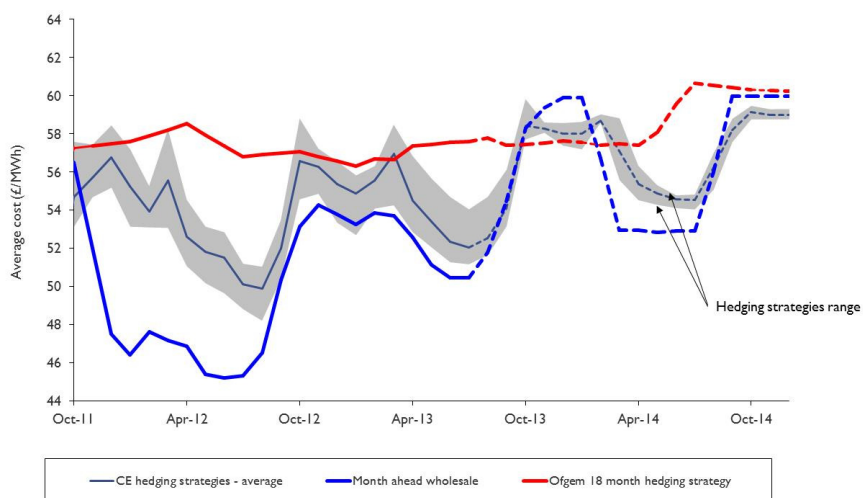
- The winter 13 power contract is now 1.2% higher than last month's level of £53.7/MWh.
- Winter 13 power is now 0.4% below the price in 2012, which was £54.5/MWh.

## 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:

13/09/2013

	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 13 Sep 13	67.80	67.60	46.95	51.95	110.94	114.27	84.35	5.48	112.33
Last week 6 Sep 13	64.80	67.58	42.20	51.88	111.42	114.34	83.00	4.94	115.40
Last month 16 Aug 13	65.25	67.35	46.25	51.38	111.09	114.01	83.60	4.36	109.73
Last year 14 Sep 12	61.65	66.85	43.60	53.53	105.66	113.98	98.70	7.80	117.00
Year-on-year % change	10%	1%	8%	(3%)	5%	0.3%	(15%)	(30%)	(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	111.51	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 80 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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