

Energy Wholesale Market Review

Week Ending 27th September 2013



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Contents

Baseload electricity.....	3
Peak electricity.....	3
Seasonal power prices	4
Supplier hedging strategies	4
Wholesale price snapshot	5



Headlines

Despite falling gas prices, long-term power contracts were stable as a result of strong carbon prices. Annual October 13 baseload power remained the same at £51.5/MWh, while its gas counterpart dropped 0.2% to 66.5p/th with lower oil contracts. Day-ahead contracts fell across the board as gas demand dropped, while wind and nuclear generation rose towards the end of the week. Day-ahead baseload power saw a 5.5% fall week-on-week to £48.2/MWh. The annual clean spark spread rose 1% to £1.6/MWh as gas prices fell while power remained stable. The clean dark spread fell 0.8% to £22.0/MWh as the price of carbon decreased while coal and power held steady. Month-ahead Brent crude oil dropped 2.7% to a weekly average of \$109.8/bl over confidence about talks between the US and Iran over the Iranian nuclear programme. The contract reached a six-week low of \$108.1/bl on Tuesday as supplies in Libya and Iraq increased. On the same day, carbon prices rose to a weekly high of €5.6/t as the EU discussed a possible reverse mechanism that could affect supply of carbon allowances.

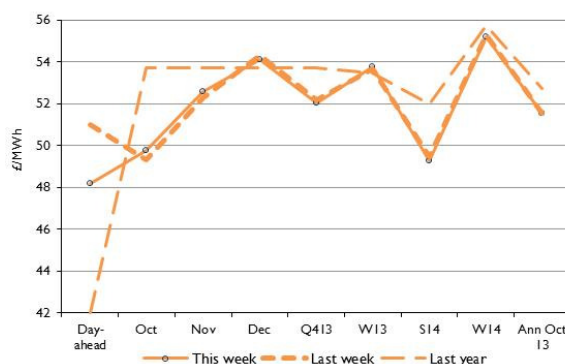
Baseload electricity

- Winter 13 power rose 0.2% to £53.8/MWh on the back of relatively higher carbon prices.
- Annual October 13 baseload power remained at last week's value of £51.5/MWh.
- Day-ahead power saw a 5.5% fall to £48.2/MWh due to a fall in gas prices.
- The contract was also driven by a rise in wind and nuclear generation towards the end of the week.

Annual October contract



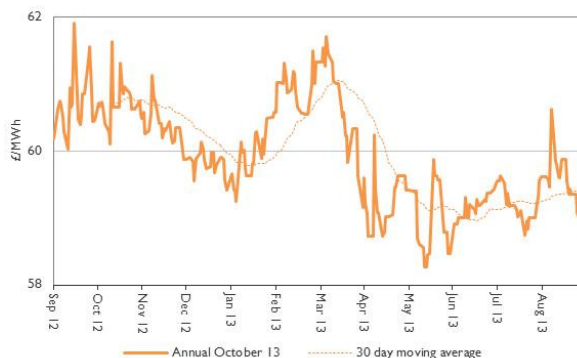
Forward curve comparison



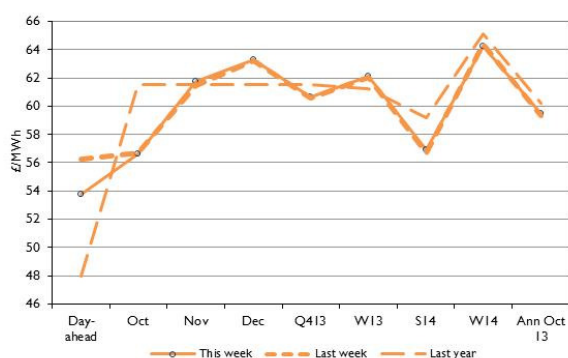
Peak electricity

- Seasonal peak power contracts increased slightly week-on-week.
- The annual October 2013 peak power contract rose by 0.2% to £59.5/MWh.
- In contrast, day-ahead peak electricity decreased 4.4% to £53.8/MWh with falling gas prices.
- The contract is now 1.2% higher than last month and 12% above last year.

Annual October contract



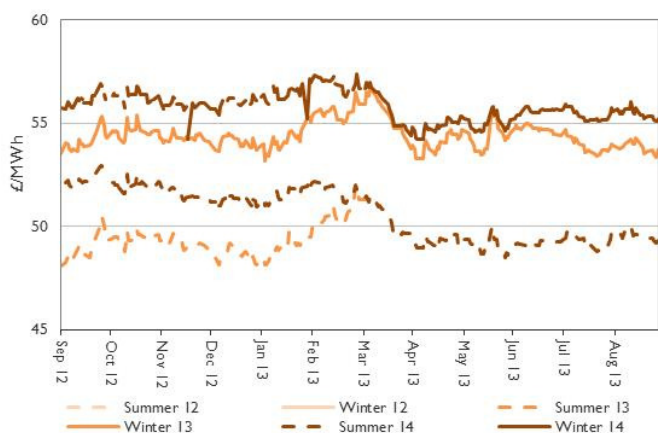
Forward curve comparison





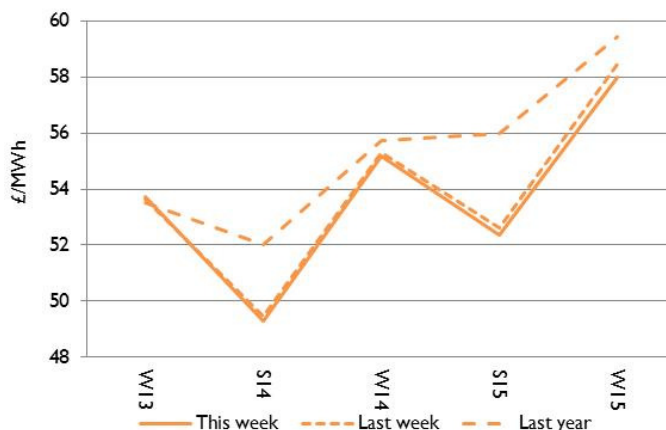
Seasonal power prices

Seasonal power contracts



- Overall this week, winter power contracts fell 0.3% on average. In contrast, winter 13 electricity rose 0.2% to £53.8/MWh.
- Summer power contracts decreased, with a slight average drop of 0.3% from last week. Summer 14 power fell by 0.3% to £49.3/MWh.

Seasonal power curve



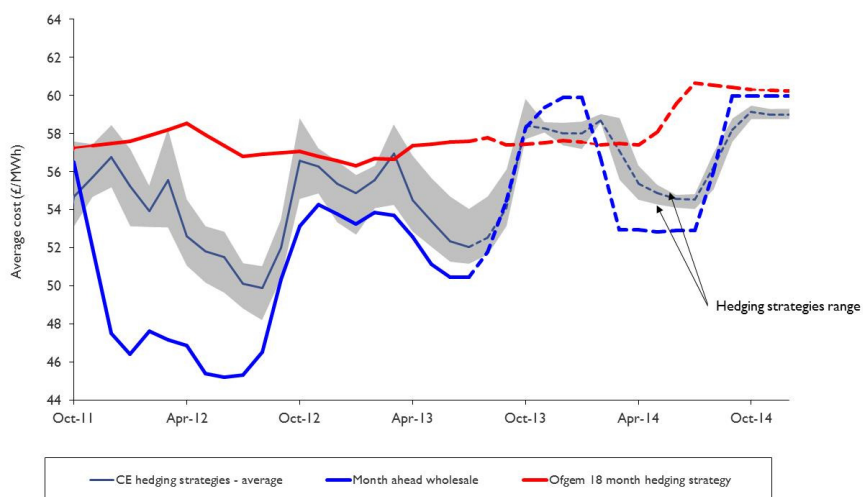
- The winter 13 power contract is now 0.3% lower than last month's level of £53.9/MWh.
- Winter 13 power is now slightly below the price in 2012, falling 0.5% from £53.5/MWh.

Supplier hedging strategies

Good weather and reductions in coal prices helped annual gas and power contracts drop over August annual power contracts rose 0.8% while the gas equivalent was up 1.5%. Suppliers' cost-based notional hedging strategies have increased as a result of more expensive autumn and winter contracts. Prices are likely to continue to increase in September as demand rises. Electricity and gas 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:

27/09/2013

	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 27 Sep 13	64.70	66.48	48.20	51.53	109.56	113.77	84.80	5.51	108.81
Last week 20 Sep 13	65.85	66.58	51.00	51.55	111.42	114.94	84.60	5.37	108.94
Last month 30 Aug 13	63.60	67.68	45.90	51.75	113.38	117.14	82.60	4.60	114.71
Last year 28 Sep 12	58.25	65.68	42.00	52.75	106.56	112.18	97.75	8.02	112.62
Year-on-year % change	11%	1%	15%	(2%)	3%	1.4%	(13%)	(31%)	(3%)
Year high	118.00	71.15	86.00	54.25	112.85	120.54	103.50	9.05	118.81
Year low	54.75	64.68	40.00	50.67	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 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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