

Energy Wholesale Market Review

Week Ending 11 October 2013



edw technology

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



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Headlines

Prices rose across the board this week as increases in oil and gas pushed up UK power prices. Annual April 14 baseload power rose 0.8% to £52.1/MWh following a 0.8% increase to 66.7p/th in its gas equivalent. Day-ahead contracts climbed as colder temperatures increased gas demand for space heating. Despite a rise in wind power generation, day-ahead baseload power increased 7.4% to £51.1/MWh on the back of higher gas prices. The contract reached a two-week high of £51.1/MWh on Friday. The annual clean spark spread rose 9% to £2.4/MWh as power rose further than gas. The clean dark spread increased 4.3% to £19.9/MWh as power rose while coal fell. Month-ahead Brent crude oil climbed 1.6% this week to an average of \$110.0/bl on hopes a deal could be reached to extend the US debt ceiling. The contract reached a four-week high of \$111.5/bl on Friday. Coal fell to a three-year low of \$81.5/t this week with continuing oversupply, as an end to strikes in Colombia increased exports.

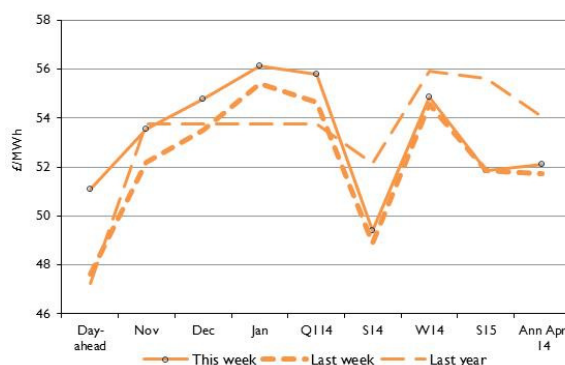
Baseload electricity

- Rising oil and gas prices pushed up long-term power prices. Summer 14 power climbed 1% to £49.4/MWh.
- Annual April 14 baseload power rose 0.8% to £52.1/MWh.
- Despite high wind power generation throughout the week, day-ahead power saw a 7.4% increase to £51.1/MWh.
- The contract rose with higher gas prices as a result of colder weather.

Annual October contract



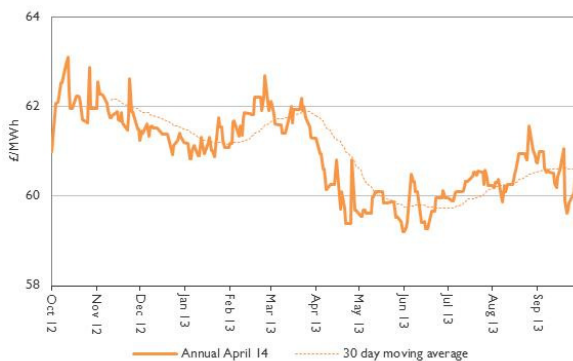
Forward curve comparison



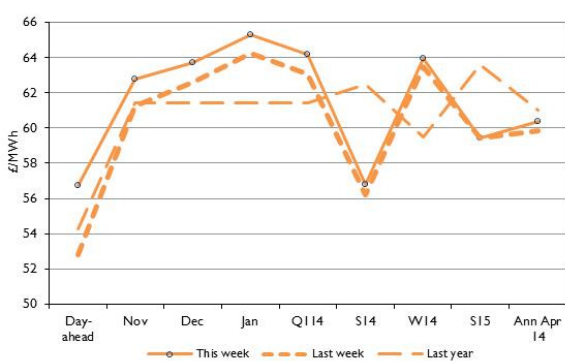
Peak electricity

- Seasonal peak power contracts rose week-on-week.
- The annual April 2014 peak power contract increased by 0.9% to £60.4/MWh.
- Day-ahead peak electricity climbed 7.5% to £56.8/MWh with increasing gas prices.
- The contract is now 4.4% higher than last month and 5% above last year.

Annual October contract



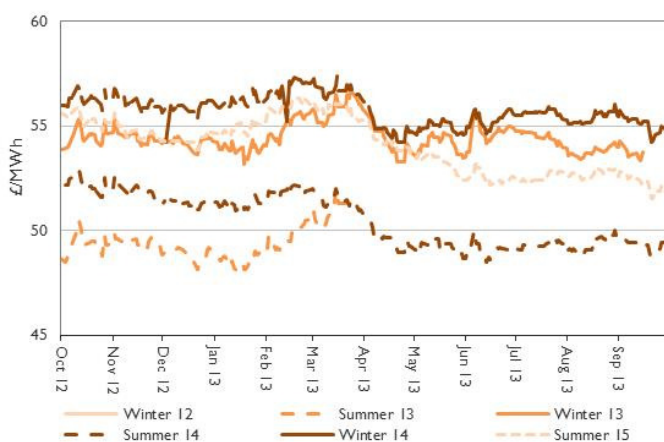
Forward curve comparison





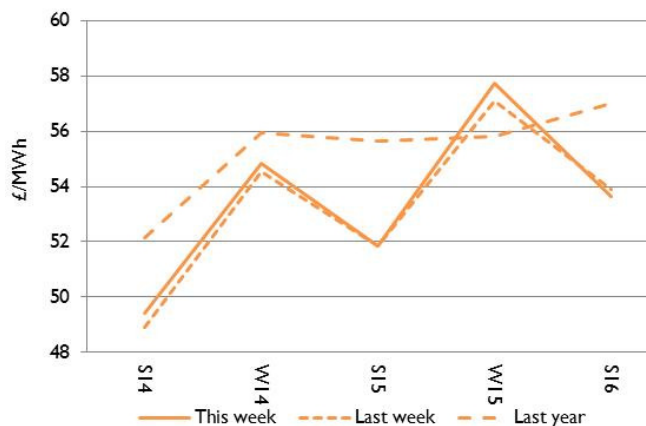
Seasonal power prices

Seasonal power contracts



- On average, winter power contracts rose 0.2% over the week. Winter 14 climbed 0.5% to £54.9/MWh.
- Summer power contracts also increased, with an average rise of 0.8% from last week. Summer 14 power climbed 1% to £48.9/MWh.

Seasonal power curve

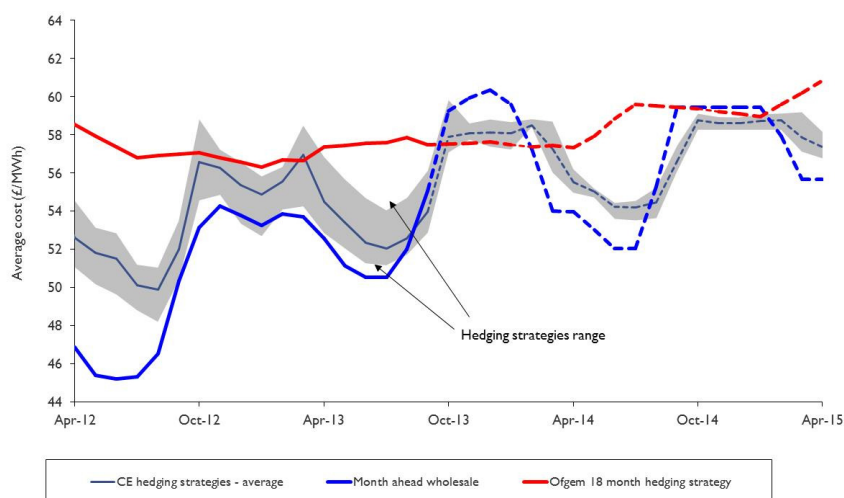


- The summer 14 power contract is now 0.4% lower than last month's level of £49.6/MWh.
- The power contract is now lower than the price in 2012, falling 5.3% from £52.2/MWh.

Supplier hedging strategies

Despite a fall in monthly average gas prices during September the annual power contract increased 0.3% to a monthly average of £52.5/MWh as a result of rising carbon prices. Higher priced winter contracts are beginning to feed into retail prices and electricity and gas prices for this winter are expected to be 5% higher than last year. On 10 October SSE was the first of the Big Six to increase its tariffs. The company lifted both its gas and electricity tariffs by 8.2% on average. SSE said wholesale prices had increased as a result of greater global competition for gas supplies and the cold snap in March pushing up prices for gas.

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 se





Wholesale price snapshot

Key market indicators:

11/10/2013

Gas (p/th)		Electricity (£/MWh)		Wood Pellets (€/t)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
Day-ahead	Year-ahead	Day-ahead	Year-ahead	Month-ahead	Year-ahead			
66.75	66.65	51.10	52.13	112.05	115.12	81.50	4.70	111.53
64.00	66.13	47.60	51.73	111.42	114.90	82.25	5.19	108.95
67.80	67.48	46.95	52.68	109.83	113.53	84.35	5.48	112.33
63.75	66.28	47.25	54.05	106.62	113.05	95.80	7.85	115.40
5%	1%	8%	(4%)	5%	1.8%	(15%)	(40%)	(3%)
118.00	71.15	86.00	54.25	112.85	120.54	103.50	9.05	118.81
54.75	64.80	40.00	50.67	108.72	80.00	81.50	2.70	97.70



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.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com

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