

# Energy Wholesale Market Review

Week Ending 25<sup>th</sup> October 2013



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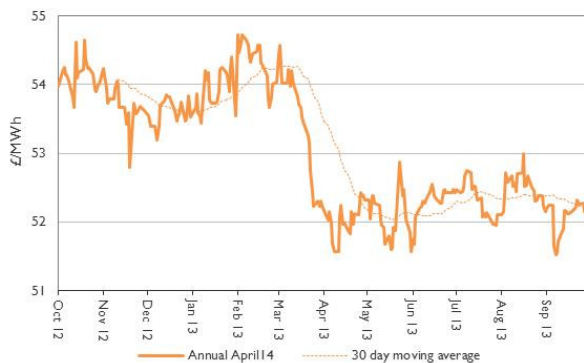
## Headlines

Long-term power prices were mixed this week as gas increased while carbon and oil fell. Annual April 14 baseload power remained at last week's value of £52.3/MWh but its gas counterpart increased 0.3% to 66.7p/th. Despite a rise in gas prices from supply disruptions, day-ahead power saw a 1.2% fall to an average of £47.2/MWh on rising wind and coal output. The annual clean spark spread rose 1% to £2.4/MWh on the back of falling carbon prices. The clean dark spread fell 0.3% to £19.5/MWh as coal prices rose faster than power. Month-ahead Brent crude oil fell 1.5% to a weekly average of \$108.8/bl due to rising US oil inventories. The contract reached a 12-week low of \$106.8/bl on Friday. Coal prices increased, rising 3.1% to an average of \$84.3/t as a result of winter restocking in parts of Asia. Carbon prices dropped 5.5% to a weekly average of €4.7/t ahead of the mid-November sell off by the Green Investment Bank.

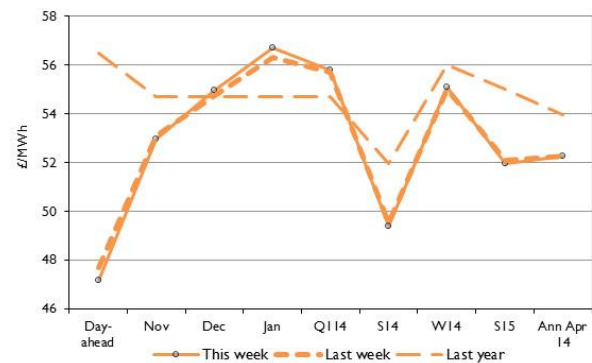
## Baseload electricity

- Long-term power contracts saw mixed movements this week. Summer 14 power dropped 0.2% to £49.4/MWh following the fall in carbon and oil.
- Annual April 14 baseload power remained the same as last week at £52.3/MWh.
- Day-ahead baseload power fell 1.2% to £47.2/MWh compared to last week.
- The contract was driven by rising wind forecast output to 72% peak capacity and a high level of relatively cheap coal in the fuel mix.

Annual October contract



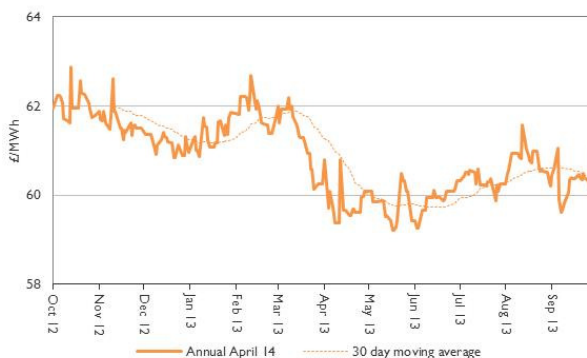
Forward curve comparison



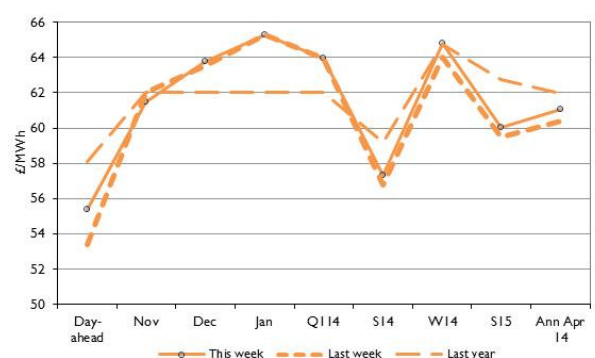
## Peak electricity

- Most seasonal peak power contracts rose week-on-week.
- The annual April 2014 peak power contract climbed 1.1% to £61.0/MWh.
- Day-ahead peak electricity rose 3.7% to £55.4/MWh following rising gas prices.
- The contract is now 3.1% higher than last month and 5% below last year.

Annual October contract



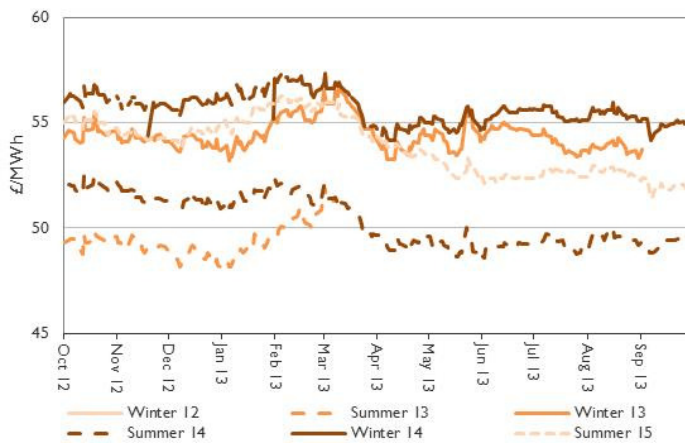
Forward curve comparison



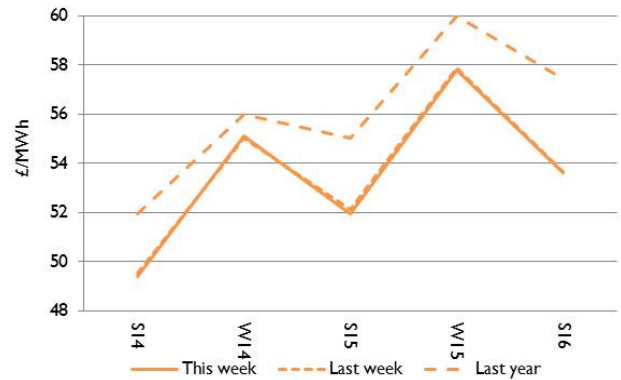


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve

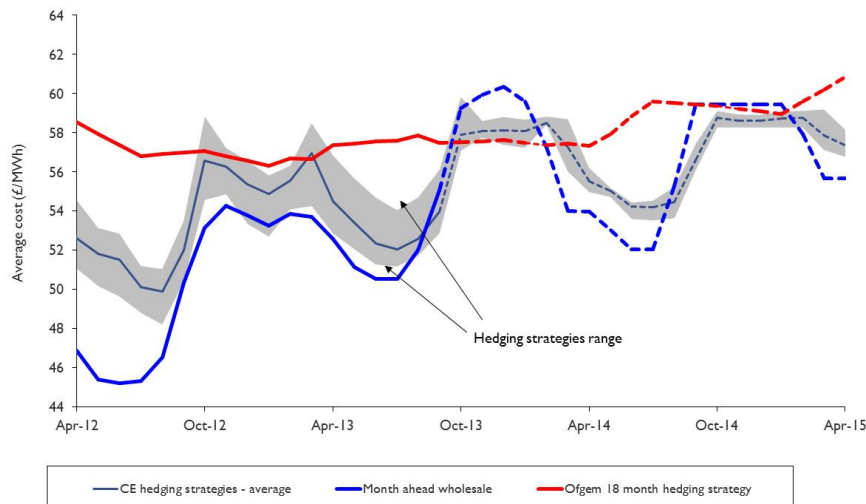


- On average, winter power contracts fell 0.2% over the week. In contrast, winter 14 climbed 0.2% to £55.1/MWh.
- Summer power contracts remained the same on average as the previous week. Summer 14 power dropped 0.2% to £49.4/MWh.
- The summer 14 power contract is now 0.2% lower than last month's level of £49.3/MWh.
- The power contract is now lower than the price in 2012, falling 4.9% from £52.0/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. British Gas followed on 17 October with an average increase of 9.2%. The company cited network charges, wholesale energy prices and environmental and social obligations as reasons for the change. On 21 October, Npower raised its prices by 10.4% and Scottish Power subsequently announced an average increase of 8.5% in gas prices and 9% in electricity on 24 October.

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.





## Wholesale price snapshot

Key market indicators:

25/10/2013

	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 25 Oct 13	66.50	66.70	47.15	52.25	N/A	N/A	84.60	4.70	106.79
Last week 18 Oct 13	64.00	66.52	47.70	52.26	N/A	N/A	83.00	5.21	109.28
Last month 27 Sep 13	64.70	66.53	48.20	52.25	110.10	114.33	84.80	5.51	108.81
Last year 26 Oct 12	67.50	66.25	56.50	53.98	106.67	112.09	93.75	7.60	107.86
Year-on-year % change	(1%)	1%	(17%)	(3%)	N/A	N/A	(10%)	(38%)	(1%)
Year high	118.00	71.15	86.00	54.25	112.85	120.54	103.50	9.05	118.81
Year low	54.75	65.15	40.00	50.67	108.72	80.00	80.70	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>									
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## 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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