

# Energy Wholesale Market Review

Week Ending 8<sup>th</sup> November 2013



**edw** technology

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

**Phone:** +44 (0)8448 802 489  
**Email:** [info@edwtech.com](mailto:info@edwtech.com)  
**Website:** [edwtech.com](http://edwtech.com)



## Contents

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



## Headlines

The contract rose 2.5% to a weekly average of €4.9/t. Most prices fell this week following a decrease in commodity prices. Annual April 14 baseload power dropped 0.2% to £52.0/MWh while its gas counterpart fell 0.4% to 66.3p/th. Day-ahead power prices dropped 8.9% to £48.1/MWh week-on-week due lower than expected demand and rising wind output forecasts. The annual clean spark spread rose 5% to £2.5/MWh on lower gas prices. The annual clean dark spread fell 0.4% to £19.6/MWh on the back of falling power contracts. Month-ahead Brent crude oil dropped 3.3% to a weekly average of \$105.2/bl as a result of talks with Iran which could result in the lifting of oil sanctions. Carbon prices fell 4.2% to a weekly average of €4.7/t despite confirmation on Friday that carbon backloading would go ahead. This would decrease the overall level of permits in the EU ETS and increase prices over the long-term.

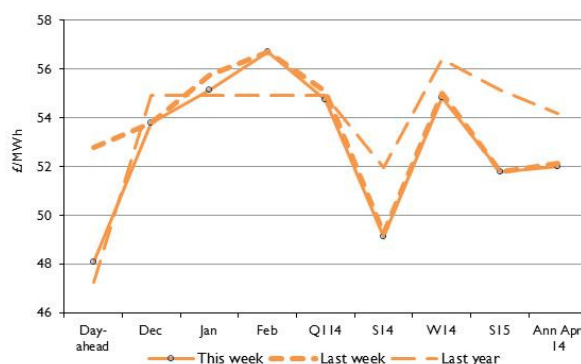
## Baseload electricity

- Baseload power contracts followed the reduction in gas prices this week. Summer 14 power was down 0.2% to £49.2/MWh.
- Annual April 14 baseload dropped 0.2% to £52.0/MWh and is now 0.2% lower than last month's value of £52.1/MWh.
- Day-ahead baseload power dropped 8.9% to £48.1/MWh compared to last week, and is now 6% lower than last month.
- The contract was driven downwards by lower than expected demand, the return of nuclear power stations and strong wind generation forecasts.

### Annual October contract



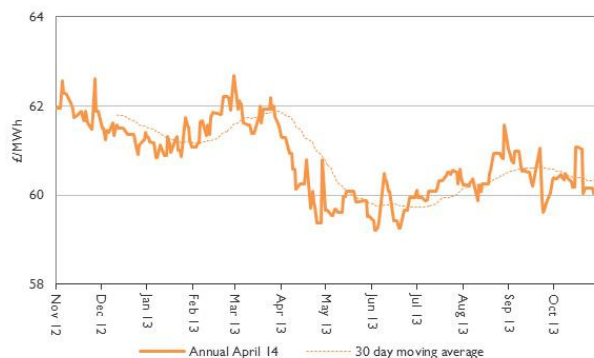
### Forward curve comparison



## Peak electricity

- Most seasonal peak power contracts fell week-on-week following decreases in commodities.
- The annual April 2014 peak power contract dropped 0.2% to £60.0/MWh.
- Day-ahead peak electricity fell 9.1% to £55.0/MWh as an increase in coal generation squeezed out gas.
- The contract is now 3.1% lower than last month and 2% below last year.

### Annual October contract



### Forward curve comparison





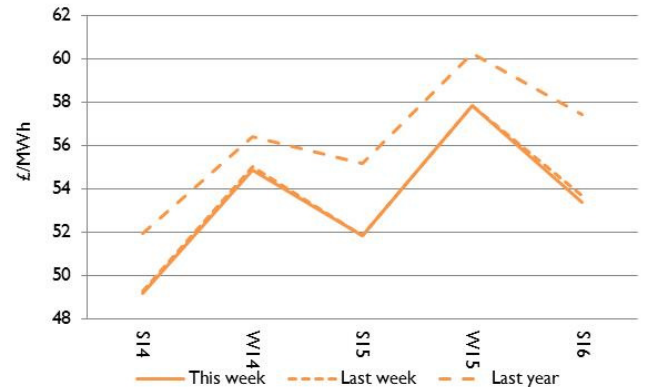
## Seasonal power prices

### Seasonal power contracts



- On average, winter power contracts fell 0.1% over the week. Winter 14 power dipped 0.3% to £54.9/MWh.
- Summer power contracts decreased 0.3% on average over the week. Summer 14 power dropped 0.2% to £49.2/MWh.

### Seasonal power curve

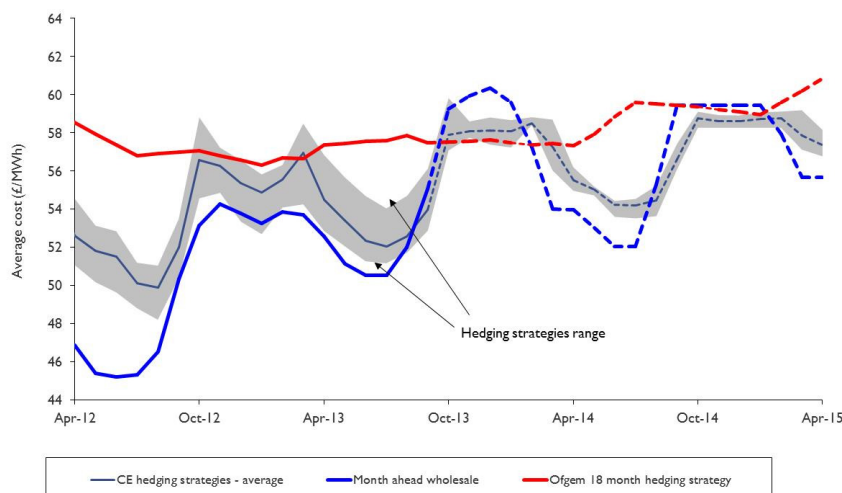


- The summer 14 power contract is now 0.5% lower than last month's level of £49.4/MWh.
- The power contract is now lower than the price in 2012, falling 5.4% from £52.0/MWh.

## 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, RWE 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:

08/11/2013

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	8 Nov 13	65.25	66.25	48.10	52.00	82.80	4.75	103.40
Last week	1 Nov 13	66.50	66.53	52.80	52.13	82.55	4.85	109.21
Last month	11 Oct 13	66.75	66.65	51.10	52.13	81.50	4.70	111.53
Last year	9 Nov 12	64.70	66.58	47.25	54.18	95.60	8.28	106.99
Year-on-year % change		1%	(0%)	2%	(4%)	(13%)	(43%)	(3%)
Year high		118.00	71.15	86.00	54.25	103.50	9.05	118.81
Year low		54.75	65.23	40.00	50.67	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>								



## 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.

### 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](http://www.edwtech.com)

Copyright © 2013 EDW Technology Limited. All rights reserved.

No part of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or translated into any language, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission from EDW Technology Limited.

All copyright, confidential information, patents, design rights and all other intellectual property rights of whatsoever nature contained herein are and shall remain the sole and exclusive property of EDW Technology Limited. The information furnished herein is believed to be accurate and reliable. However, no responsibility is assumed by EDW Technology Limited for its use, or for any infringements of patents or other rights of third parties resulting from its use.