

Energy Wholesale Market Review

Week Ending 13th December 2013



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Headlines

Power prices fell this week on the back of lower gas contracts and falling demand, reversing most gains seen in the week before. Annual April 14 baseload power decreased 0.8% to £52.9/MWh while its gas counterpart dipped 1.2% to 67.7p/th. Day-ahead prices were down as a result of lower weather-driven demand, as temperatures increased 56% to an average of 7.6 °C compared to 4.9 °C last week. Day-ahead baseload power fell 7.9% to a monthly low of £49.8/MWh due to a comfortable system, despite continuing exports to France. The annual clean spark spread rose 1% to £2.3/MWh as gas fell faster than power. The annual clean dark spread fell 4% to £20.6/MWh on the back of increases in coal and carbon. Month-ahead Brent crude oil dropped 1.5% to a weekly average of \$109.9/b following news that some Libyan ports may reopen over the weekend; increasing supply. Carbon prices climbed 7.2% to a weekly average of €4.8/t following support for a draft backloading law by the EU parliament.

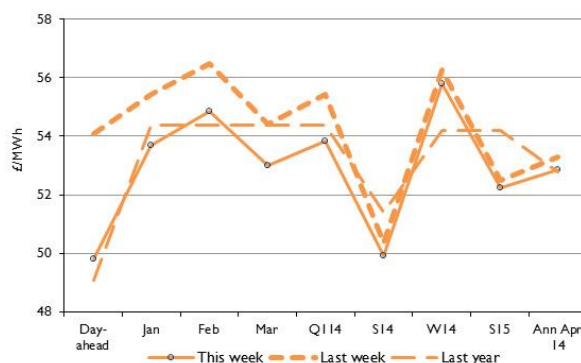
Baseload electricity

- Baseload power contracts fell this week with lower demand and a decrease in gas prices. Summer 14 power dropped 0.9% to £49.9/MWh.
- Annual April 14 baseload decreased 0.8% to £52.9/MWh and is now 0.2% higher than last month's value of £52.7/MWh.
- Day-ahead baseload power decreased 7.9% to a monthly low of £49.8/MWh compared to last week and is now 6.7% lower than last month.
- Despite continuing power exports to France, the baseload contract fell towards the end of the week as cheaper nuclear and coal returned to the grid.

Annual April contract



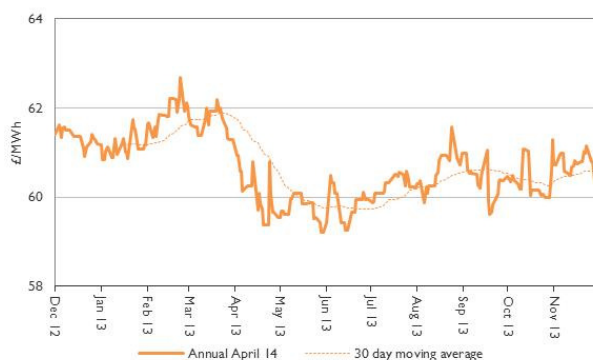
Forward curve comparison



Peak electricity

- Peak power followed the decrease in gas, as demand fell following an increase in temperature.
- The annual April 2014 peak power contract decreased 1.2% to £60.4/MWh.
- Day-ahead peak electricity dropped 7.2% to a monthly low of £57.9/MWh.
- The day-ahead peak contract is 4.7% lower than last month but is still 2% above last year's value.

Annual April contract



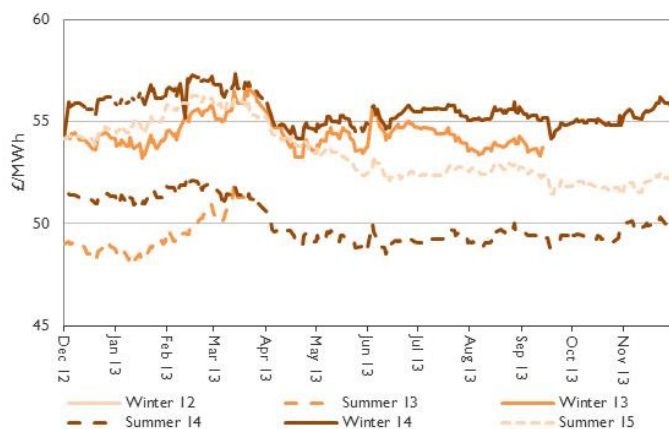
Forward curve comparison





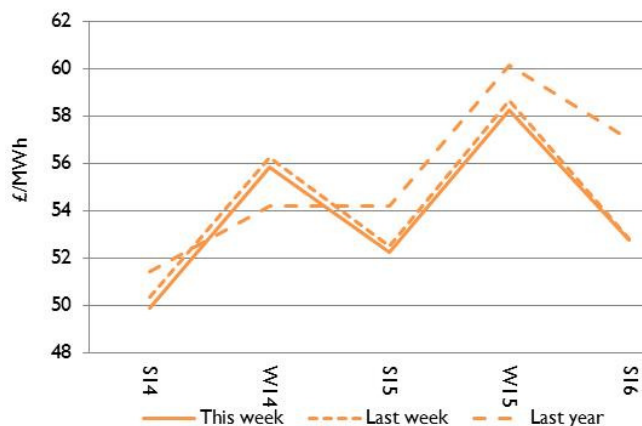
Seasonal power prices

Seasonal power contracts



- On average, winter power contracts fell 0.7% over the week. Winter 14 power dropped 0.8% to £55.8/MWh.
- Summer power contracts decreased 0.5% on average over the week. Summer 14 power fell 0.9% to £49.9/MWh.

Seasonal power curve

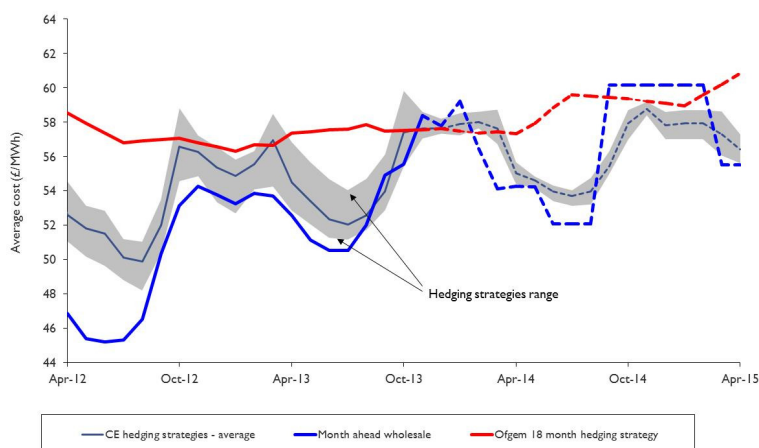


- The summer 14 power contract dipped 0.9% from last month's level of £49.9/MWh.
- The summer 14 power contract is now lower than the price in 2012, falling 2.9% from £51.4/MWh.

Supplier hedging strategies

The annual April 14 gas contract climbed 0.9% in November to an average of 67.1p/th and the annual April 14 baseload power contract followed by rose 0.6% to £52.4/MWh. Higher priced winter contracts are feeding 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%, Scottish Power subsequently announced an average increase of 8.5% in gas prices and 9% in electricity on 24 October and EDF announced a price rise of 3.9% on 12th November. E.ON was the last of the Big Six to announce a dual fuel price rise of 3.7% on 6 December.

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:

13/12/2013

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	13 Dec 13	68.75	67.65	49.80	52.85	83.00	4.86	108.80
Last week	6 Dec 13	70.90	68.45	54.10	53.30	82.00	4.64	111.30
Last month	15 Nov 13	69.50	67.40	53.40	52.73	81.35	4.53	108.30
Last year	14 Dec 12	66.25	66.78	49.10	52.80	95.00	6.63	108.66
Year-on-year % change		4%	1%	1%	0%	(13%)	(27%)	0%
Year high		118.00	71.15	86.00	54.25	100.70	7.38	118.81
Year low		54.75	65.23	40.00	50.67	80.70	2.70	97.70

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.



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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