

# Energy Wholesale Market Review

Week Ending 21<sup>st</sup> February 2014



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## 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>



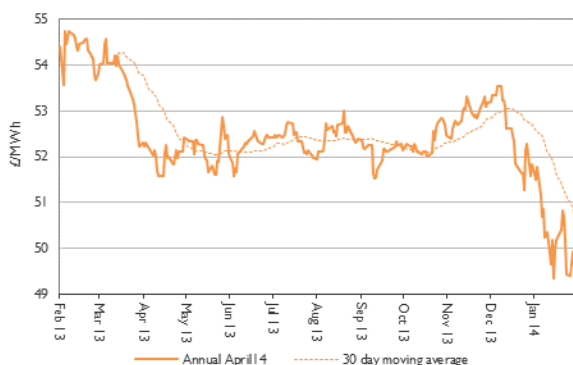
## Headlines

Long-term power prices increased this week, wiping out the fall seen last Friday, as gas prices stabilised and carbon prices hit a 14-month high. Annual April 14 baseload power climbed 1.4% to £50.1/MWh. Short-term power and gas prices were down this week as a result of lower demand, strong gas supply and rising wind output. Gas demand is around 12% below last winter and 20% below seasonal norms. Day-ahead gas dropped 1.1% to an 18-month low of 57.6p/th on Friday. Day-ahead power fell 7.4% to £42.8/MWh on the back of a surge in wind output. Clean spark and dark spreads recovered on rising power prices. The annual April 14 clean spark spread rose 15% to £2.8/MWh and the annual clean dark spread was up 2.5% to £17.3/MWh. Month-ahead Brent crude oil rose 1% to a weekly average of \$109.7/bl as a weaker dollar boosted demand. Carbon prices climbed to a 14-month high of €7.0/t on Thursday as the market anticipates the removal of 400mn allowances from mid-March.

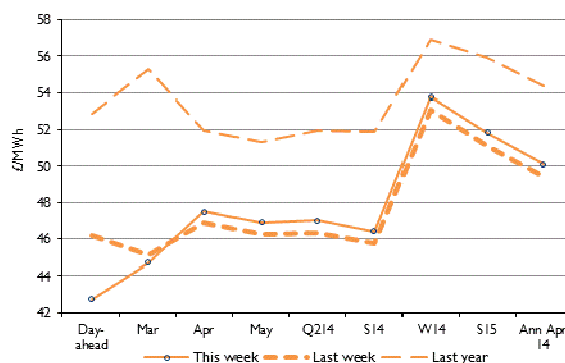
## Baseload electricity

- This week, long-term power contracts recovered slightly as gas contracts stabilised and carbon increased.
- Annual April 14 baseload increased 1.4% to £50.1/MWh and is now 3.2% lower than last month's value of £51.8/MWh.
- Strong wind speeds and low gas prices pushed day-ahead power down to a six-week low on Thursday.
- The contract fell 7.4% to a six-week low of £42.8/MWh, 9.4% lower than last month and 19% lower than the same time last year.

### Annual April contract



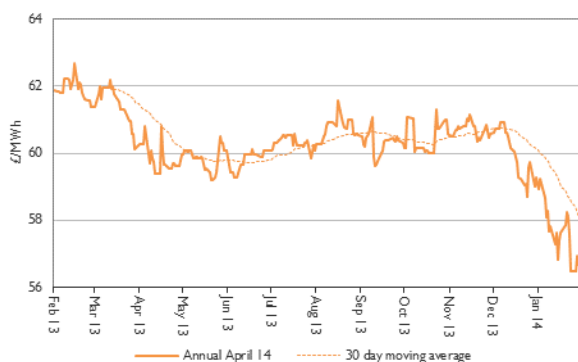
### Forward curve comparison



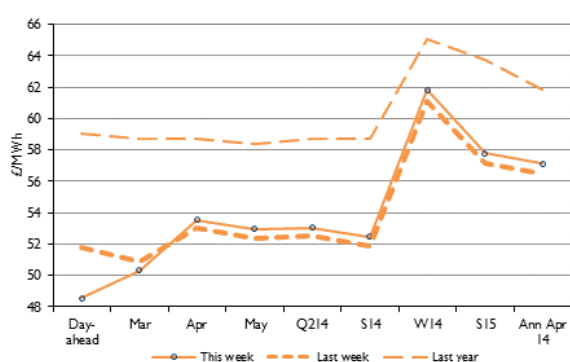
## Peak electricity

- Peak power contracts followed the same pattern as the baseload power market.
- The annual April 2014 peak power contract gained 1.1% to settle at £57.1/MWh.
- Day-ahead peak electricity decreased 6.2% to £48.6/MWh.
- The day-ahead peak contract is 12.5% lower than last month and 18% below last year's value.

### Annual April contract



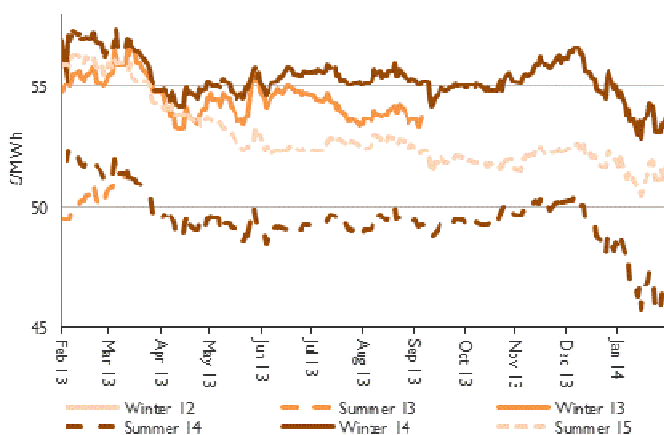
### Forward curve comparison



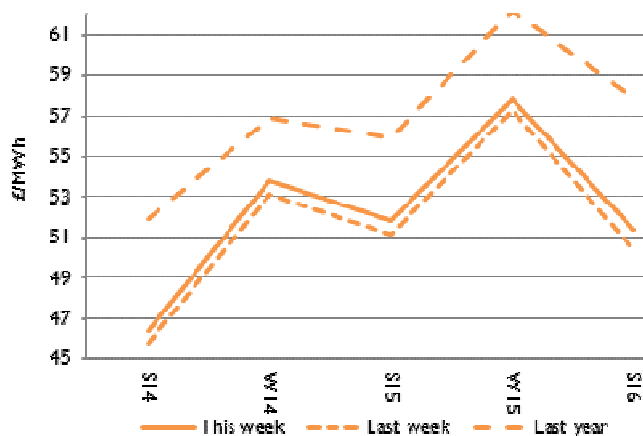


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve



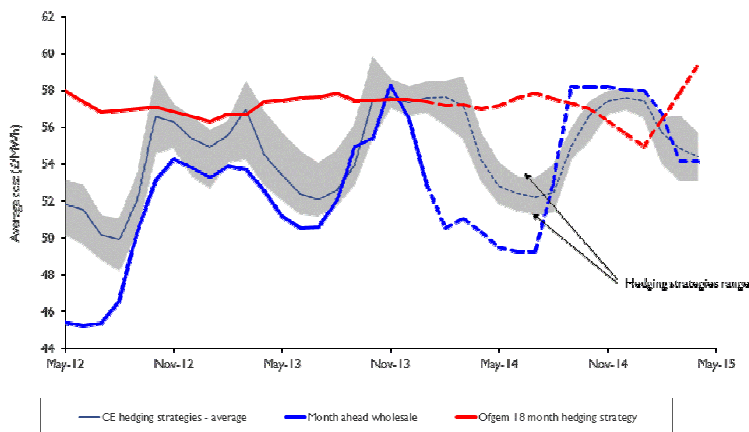
- On average, winter power contracts increased 1.1% over the week. Winter 14 was 1.3% higher at £53.8/MWh.
- Summer power contracts climbed 1.6% on average over the week.
- Summer 14 power rose 1.4% to £46.4/MWh. The contract is now 4.9% below last month and 10% lower than last year's level.

## Supplier hedging strategies

Despite a notable drop in wholesale gas and power prices in January, our monthly average hedged electricity price has remained stable as a result of more expensive longer-term contracts offsetting the fall in shorter-term contracts. The February gas contract was down 6% over the month and its power equivalent dropped 8%. The annual April 14 baseload power contract fell 3% to monthly average of £51.8/MWh in January and the average annual April 14 gas contract was down 2% to 67.2p/th.

On 9 January SSE said it would reduce gas and power tariffs by 3.5% from 24 March. On the same day Npower announced it would be reducing its tariffs by 2.6% from 28 February. These reductions are the result of savings in third party charges and not changes in wholesale prices.

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:

21/02/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	21 Feb 14	57.60	61.98	42.75	50.10	80.65	7.00	110.12
Last week	14 Feb 14	58.25	61.83	46.15	49.43	81.60	6.44	108.35
Last month	24 Jan 14	66.00	66.18	47.20	51.78	85.15	4.97	107.31
Last year	22 Feb 13	69.30	68.39	52.90	54.40	99.15	5.40	114.28
Year-on-year % change		(17%)	(9%)	(19%)	(8%)	(19%)	30%	(4%)
Year high		118.00	69.55	86.00	54.25	99.15	7.03	116.17
Year low		54.75	61.72	41.40	49.35	80.65	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>		120 115 110 105 100 95 90 85 80 75 70 65 60 55 50	70 68 66 64 62 60	88 84 80 76 72 68 64 60 56 52 48 44 40	55 54 53 52 51 50 49 48 47	100 95 90 85 80	7 6 5 4 3 2	120 116 112 108 104 100 96



## 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 13 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 85 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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