

# Energy Wholesale Market Review

Week Ending 7<sup>th</sup> March 2014



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## Headlines

This week, increasing tensions between Russia and Ukraine directly impacted gas prices which subsequently fed into power contracts. Day-ahead gas was pushed 2.8% higher to average 58.1p/th as a result of these security of supply fears. In power markets, annual April 14 baseload rose 2.8% to £50.3/MWh. Short-term power prices were also up on the back of rising gas prices and low wind output. Day-ahead power rose 0.1% to £44.8/MWh. The annual April 14 clean spark spread climbed 2% to £2.7/MWh as gas prices went up faster than power. The annual April 14 clean dark spread climbed 6.6% to £17.6/MWh with coal rising faster than power. Month-ahead Brent crude oil fell 0.3% to a weekly average of \$109.2/bl despite Russia/ Ukraine tensions pushing the contract to a three-month high of \$111.87/bl on Monday. Carbon prices rose 1.9% with back-loading proposals starting next week.

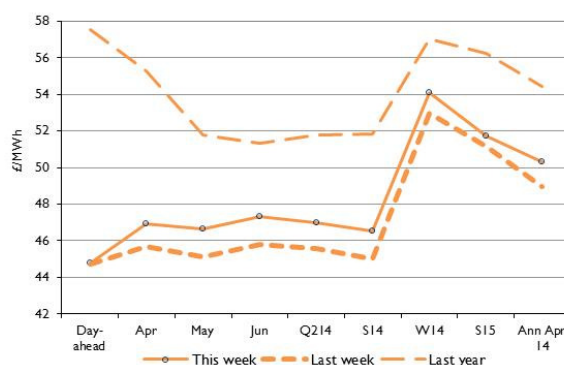
## Baseload electricity

- This week, long-term power contracts increased following rises in gas and coal.
- Annual April 14 baseload increased 2.8% to £50.3/MWh, recovering from record lows seen last week
- Rising short-term gas prices and low wind output pushed day-ahead power higher this week.
- The contract rose 0.1% to £44.8/MWh. Large rises seen at the start of the week were offset with increasing wind output and returning nuclear capacity.

### Annual April contract



### Forward curve comparison



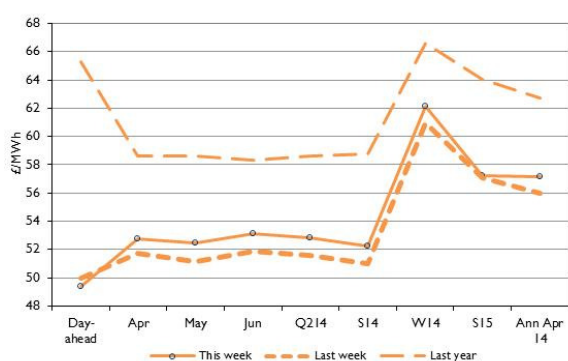
## Peak electricity

- Peak power contracts followed trends in baseload power and gas markets.
- The annual April 2014 peak power contract rose 2.1% to settle at £57.2/MWh.
- Day-ahead peak electricity decreased 1.2% to £49.4/MWh.
- The day-ahead peak contract is 6.5% lower than last month and 24% below last year's value.

### Annual April contract



### Forward curve comparison





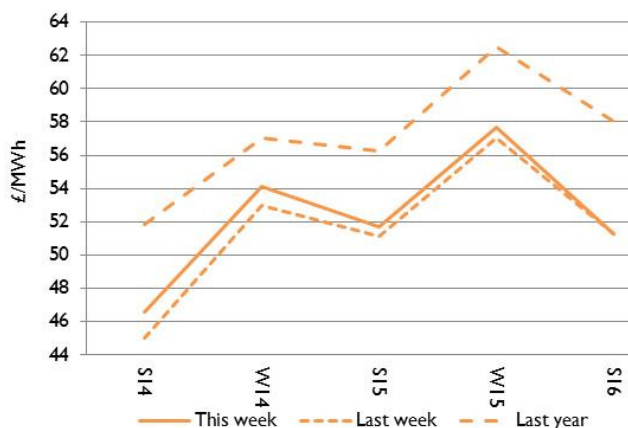
## Seasonal power prices

### Seasonal power contracts



- On average, winter power contracts increased 1.7% over the week. Winter 14 was 2.2% higher at £53.0/MWh.
- Summer power contracts were up 1.5% on average over the week.

### Seasonal power curve



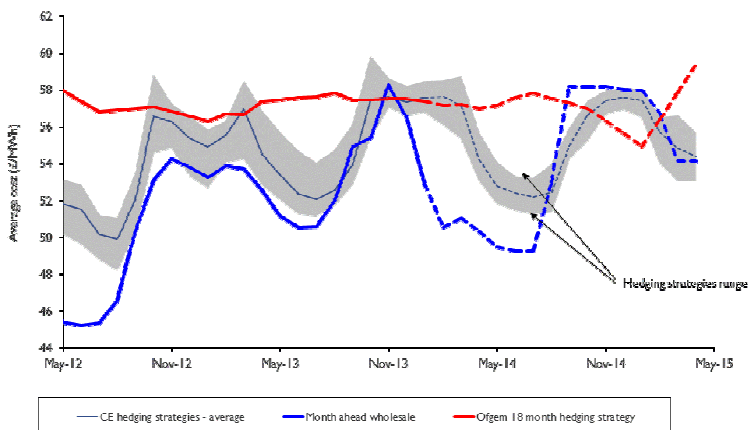
- Summer 14 power climbed 3.4% to £46.6/MWh. The contract reached a five-week high of £48.50/MWh on Monday.
- The contract is now 0.4% below last month and 10.2% lower than last year's level.

## 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:

07/03/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	7 Mar 14	58.05	62.63	44.80	50.33	80.80	6.86	108.50
Last week	28 Feb 14	56.45	60.85	44.75	48.98	80.50	6.70	108.65
Last month	7 Feb 14	60.60	63.30	46.50	50.18	83.00	6.55	107.20
Last year	8 Mar 13	77.75	69.23	57.55	54.45	96.25	4.25	111.24
Year-on-year % change		(25%)	(10%)	(22%)	(8%)	(16%)	61%	(2%)
Year high		118.00	69.53	86.00	54.25	96.25	7.22	116.17
Year low		54.75	60.53	41.40	48.40	80.00	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 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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