

# Energy Wholesale Market Review

Week Ending 25<sup>th</sup> April 2014



**edw** technology

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

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



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## Headlines

Diverging trends in long and short-term prices were seen this week, with falling demand and Ukraine tensions influencing markets. In long-term contracts, increasing tensions in the Ukraine weighed on prices with winter 14 gas up 0.2% to 65.0p/th. Rises in gas influenced power, with the Annual October 14 contract up 0.8% to £51.8/MWh. In prompt markets, contracts declined with falling demand. Day-ahead gas declined 4.8% to 48.6p/th while its power counterpart fell 3.7% to £41.90/MWh. The annual October 14 clean spark spread rose 15% to £3.5/MWh as power prices fell faster than gas, while the annual October 14 clean dark spread increased 1.5% to £19.2/MWh as coal prices rose and power fell. In commodities, Brent crude oil prices rose 0.5% to a weekly average of \$109.6/bl as Ukraine tensions underpinned a bullish market. EU ETS carbon prices continued recent climbs, increasing 4.9% with stronger demand, API 2 coal prices reached a nine-week high of \$83.0/t on Friday.

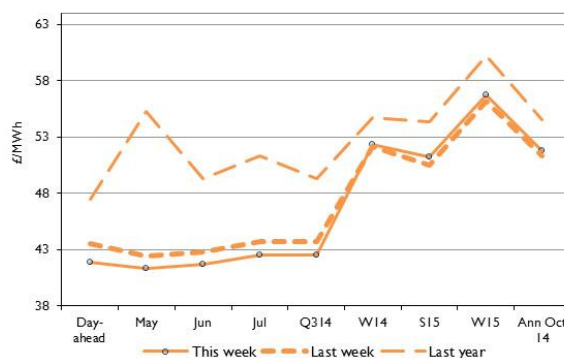
## Baseload electricity

- Power contracts followed gas trends with short-term contracts falling and long-term contracts gaining.
- Annual October 14 baseload climbed 0.8% to £51.8/MWh.
- The day-ahead contract fell 3.7% week-on-week, with strong nuclear output and falling spot gas prices. The contract reached a three-week low of £40.9/MWh on Thursday.

Annual October contract



Forward curve comparison



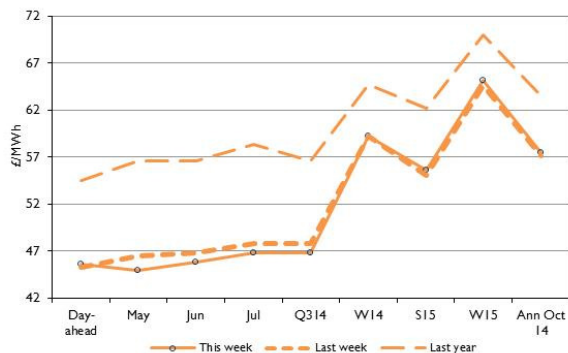
## Peak electricity

- Most peak power contracts increased despite falling peak demand.
- The annual October 2014 peak power contract rose 0.5% to settle at £57.7/MWh.
- Day-ahead peak electricity increased 0.7% to average £45.6/MWh.
- The spread between peak and baseload prices has fallen over recent weeks on reduced demand.

Annual October contract



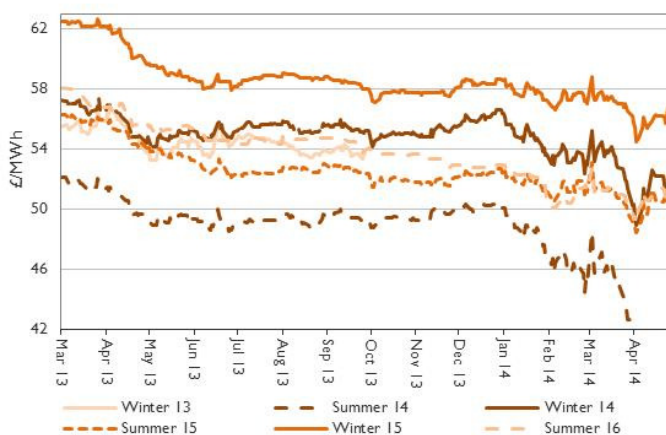
Forward curve comparison





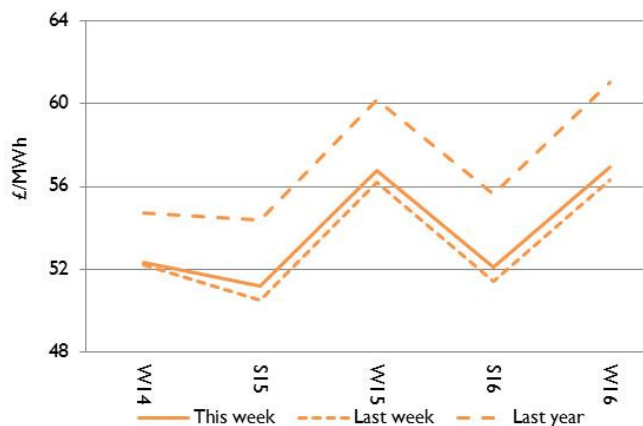
## Seasonal power prices

### Seasonal power contracts



- Despite mixed prices for gas, seasonal power contracts rose. Winter power contracts were up 1.4% over the week with winter 14 power 0.3% higher at £52.3/MWh.
- Summer power contracts were up 0.8% on average over the week.

### Seasonal power curve

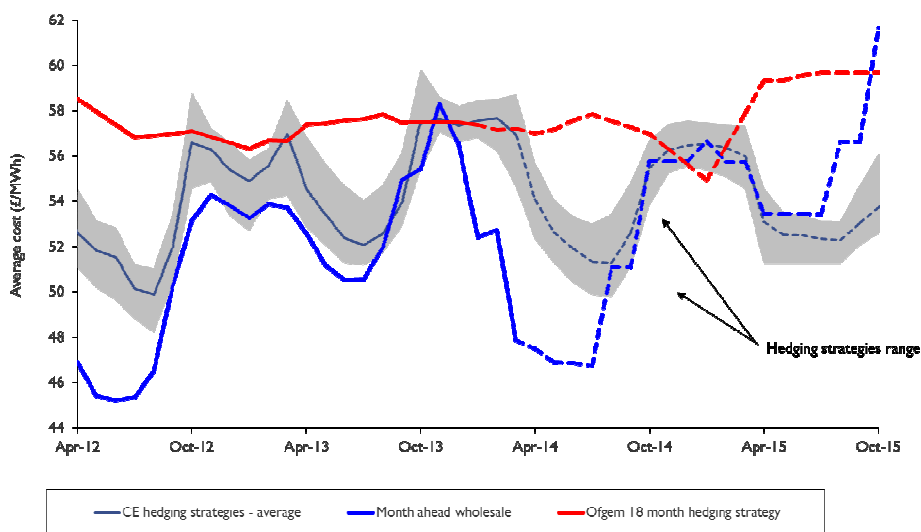


- Summer 15 power rose 1.5% to £51.2/MWh.
- The contract is now 1.4 % above last month and 6% lower than last year's level.

## Supplier hedging strategies

On 26 March SSE revealed it would be freezing domestic gas and electricity prices at their current levels until 2016, announcing 500 job cuts and shelving four planned offshore wind farm developments to pay for the costs. A day later, Ofgem announced its intention to refer the energy market for a Competition and Markets Authority (CMA) investigation. Ofgem also announced it had updated its supply market indicators.

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:

25/04/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	25 Apr 14	48.55	61.60	41.90	51.77	82.30	5.64	109.97
Last week	18 Apr 14	51.00	61.75	43.50	51.35	82.40	5.47	109.60
Last month	28 Mar 14	52.50	60.61	41.10	50.55	80.50	4.39	108.00
Last year	26 Apr 13	66.05	66.61	47.50	54.55	93.80	2.95	103.10
Year-on-year % change		(26%)	(8%)	(12%)	(5%)	(12%)	91%	7%
Year high		71.95	68.93	58.30	52.66	93.80	7.22	116.17
Year low		48.00	58.38	40.10	46.45	80.00	2.95	100.01
<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>		72	69	60	54	94	7	118
		68	67	56	52	90	6	114
		64	65	52	50	86	5	110
		60	63	48	48	82	4	106
		56	61	44	46	78	3	102
		52	59	40			2	98
		48	57					



## 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.

### 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)

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