

Energy Wholesale Market Review

Week Ending 3rd October 2014



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Headlines

Power contracts fell across the board this week, as a strong gas supply picture and further steep falls in commodities weighed on the market. GB power and gas contracts moved into the new trading year, with winter 14 power finishing trading in the week 11% below levels at the start of 2014. Day-ahead power was down 2% week-on-week as stations returned from outages and wind output rose. Falls came despite a rise in day-ahead gas, as tight system dynamics continued to affect the market. Along the curve, power and gas prices continued to factor in falling commodity prices, summer 15 power dropped 1.6% to £48.8/MWh and is now 2.2% below its level a month ago. Summer 15 gas was also down, dropping 1.8% to 54.3p/th on a continued high supply picture. Spreads reversed recent rises following a fall in power prices, and the annual April 15 clean dark spread was down 4.6% to £20.1/MWh. Commodities continued recent bearish momentum. Annual API 2 coal prices dropped 1.8% to a new four-year low of \$74.4/t and continued to pull long-term power contracts lower. Month-ahead Brent crude oil dropped to a 28-month low of \$92.2/bl with a strong US dollar and continued falls in Chinese demand.

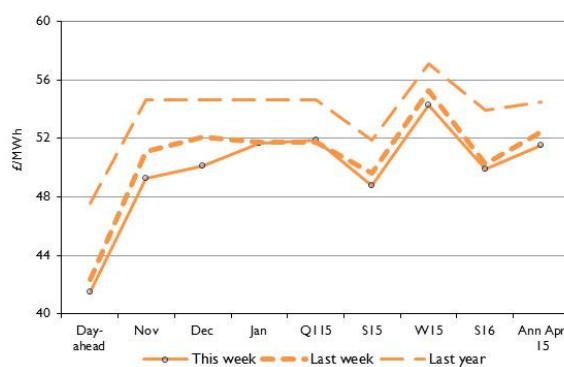
Baseload electricity

- Annual April 15 power fell 1.7% to £51.6/MWh, as falling commodities weighed on the contract. Prices are now 8.4% below levels seen a year ago.
- Despite continued rises for spot gas prices, stations returning from outages and high wind output helped day-ahead power drop 2% to £41.5/MWh, a five-week low.

Annual October contract



Forward curve comparison



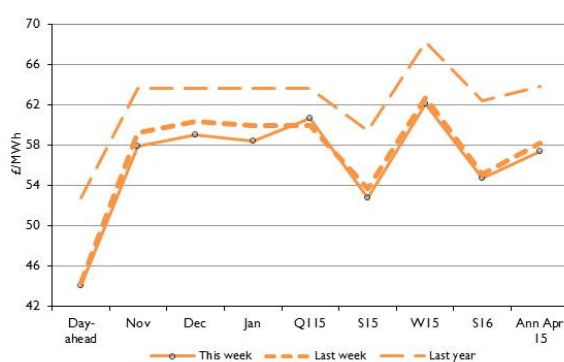
Peak electricity

- The annual April 15 peak contract shed 1.3% to £57.4/MWh. The contract is now 1.5% lower than last month and 10% below last year's level of £63.8/MWh.
- Once again, high wind output on Friday pulled peak day-ahead power lower week-on-week. The contract fell 0.7% to a three-week low of £44.1/MWh.

Annual October contract



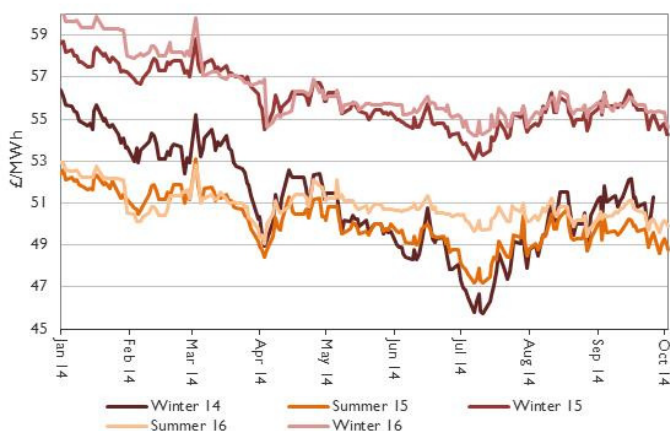
Forward curve comparison



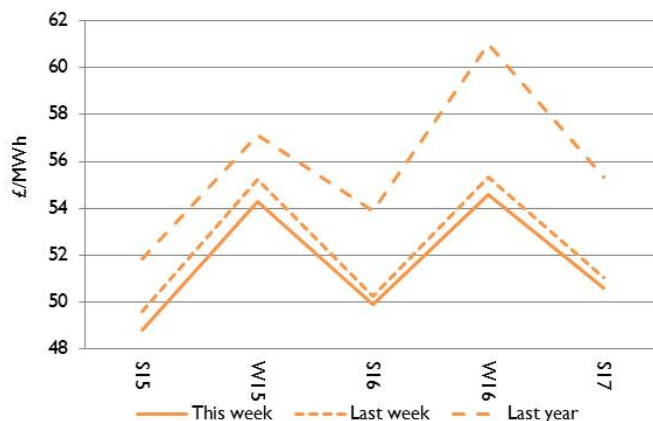


Seasonal power prices

Seasonal power contracts



Seasonal power curve

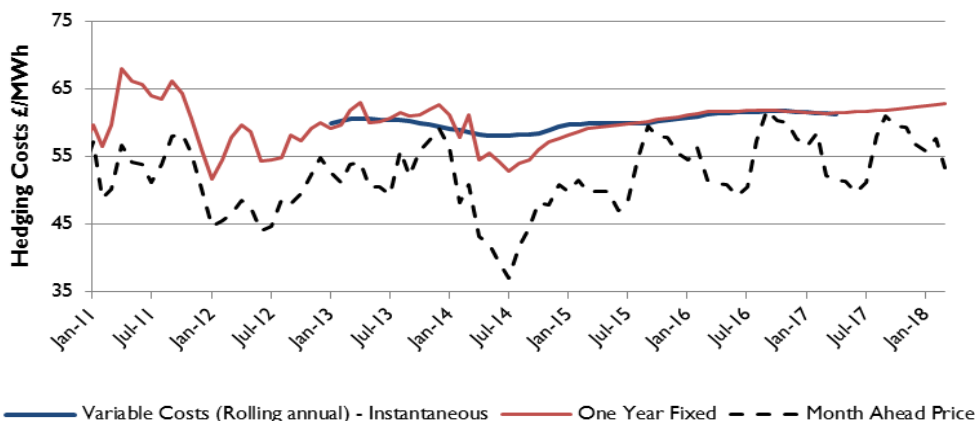


- Despite continued capacity fears for the winter-ahead, seasonal power contracts were lower this week, following falls in long-term gas, oil and coal contracts.
- Summer 15 power dropped 1.6% to £48.8/MWh and is now 2.2% below its level a month ago.
- Winter 14 power finished trading 11.3% below its level at the start of the year at £50.0/MWh.
- Winter contracts further out continued to be suppressed by the bearish picture for global coal prices.

Supplier hedging strategies

August and the start of September set new trends in the market, as contracts saw month-on-month rises for the first time since February. Security of supply fears have captured market focus over the past six-weeks, with continuing fears over Russian gas supplies and extensions to outages for 3GW of GB nuclear capacity influencing recent rises. Winter 14 power hit £52.2/MWh on 16 September, a five-month high. Despite the rises, month-ahead power prices for August and September have averaged 13% below last year's figure of £47.9/MWh, at £41.7/MWh.

Winter 14 contracts, as expected, have been the most reactive to recent market changes. Further out along the curve, prices continue to factor in a number of political and regulatory interventions. The freezing of the carbon price support from 2016 continues to dampen wholesale prices along the curve, with it expected to reduce prices through lowering costs levied on fossil fuels. It may also allow older coal-fired station to stay on the system longer. Secondly, with Scotland voting to remain part of the UK, a factor in recent higher levels of political risk in the market has been reduced. Wholesale prices may factor this in. However, key risks of political change through the 2015 election and outcomes of the CMA investigation remain.





Wholesale price snapshot

Key market indicators:

03/10/2014

		Gas (p/th)		Electricity (£/MWh)		Coal (\$/t)	Carbon (€/t)	Brent crude (\$/bl)
		Day-ahead	Year-ahead	Day-ahead	Year-ahead			
This week	3 Oct 14	51.00	58.53	41.50	51.55	74.70	5.78	92.22
Last week	26 Sep 14	50.50	59.47	42.35	52.43	75.35	5.82	96.77
Last month	5 Sep 14	48.10	59.49	44.50	52.60	77.85	6.10	102.00
Last year	4 Oct 13	64.00	63.88	47.60	54.48	82.25	5.19	108.95
Year-on-year % change		(20%)	(8%)	(13%)	(5%)	(9%)	11%	(15%)
Year high		71.95	67.53	58.30	54.63	87.30	7.22	115.20
Year low		34.70	53.38	34.00	46.48	74.00	4.27	92.22

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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