

Energy Wholesale Market Review

Week Ending 7th November 2014



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Headlines

Power and gas prices diverged this week, as falling commodity prices weighed on long-term contracts while increasing demand pushed up spot prices. Annual April 15 baseload power fell 0.2% to £55.3/MWh following a 0.2% fall in its gas equivalent to 55.3p/th. In contrast, day-ahead prices climbed on the back of increased demand for heating as temperatures fell below seasonal norms. Nuclear power outages and low-wind output also supported spot prices, resulting in a rise in day-ahead baseload power of 6.1% to £52.5/MWh. In spreads, the annual April 15 clean spark spread was stable this week, at £6.9/MWh as gas, power and carbon all decreased. The price of coal fell faster than that of power, which pushed up the annual April 15 clean dark spread by 1.6% to £19.2/MWh. Month-ahead Brent crude oil saw four-year lows this week after Saudi Arabia announced that it had cut prices to the US. Prices fell to \$82.0/bl and were down 3.1% on average to \$83.3/bl.

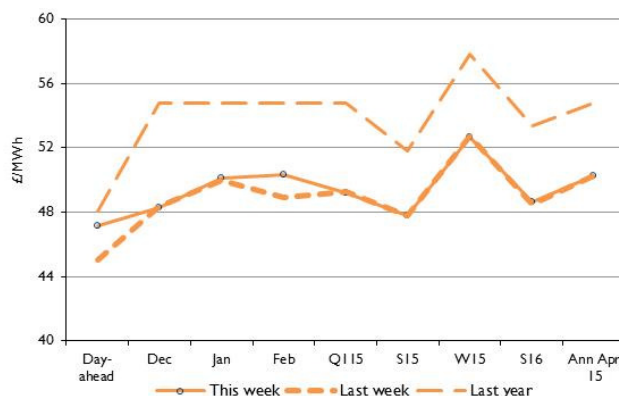
Baseload electricity

- Annual April 15 power fell by 0.2% to £55.3/MWh following continuing decreases in gas, coal and oil. Prices are now 4.2% below levels seen last month (£57.8/MWh).
- Day-ahead baseload power climbed 6.1% over the week to £52.5/MWh. The contract was pushed up by increases in gas, which was the primary fuel in the power mix after nuclear outages were extended. Low wind output supported the rise.

Annual October contract



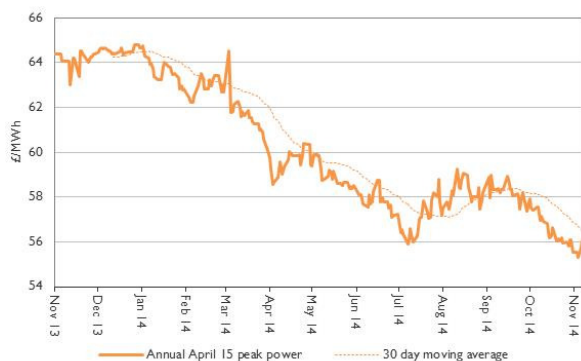
Forward curve comparison



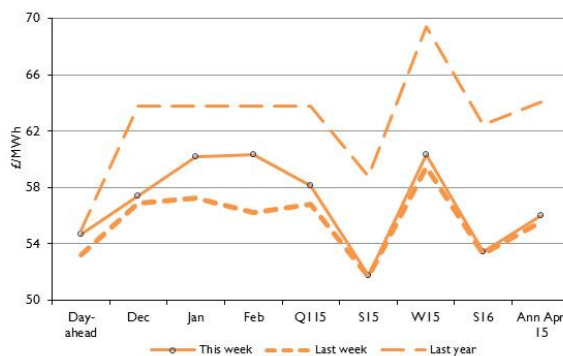
Peak electricity

- The annual April 15 peak contract rose 0.9% this week to £56.0/MWh, offsetting last week's fall. The contract is now 1.5% lower than last month and 13% below last year's level of £64.0/MWh.
- The day-ahead peak power contract also climbed, up 2.7% to £54.7/MWh, 12.7% higher than last month.

Annual October contract



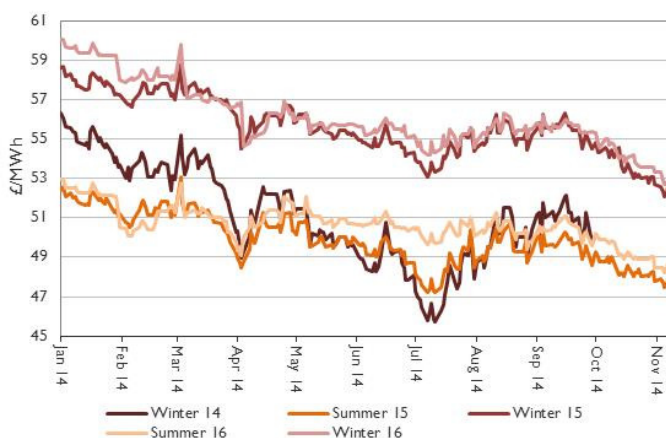
Forward curve comparison



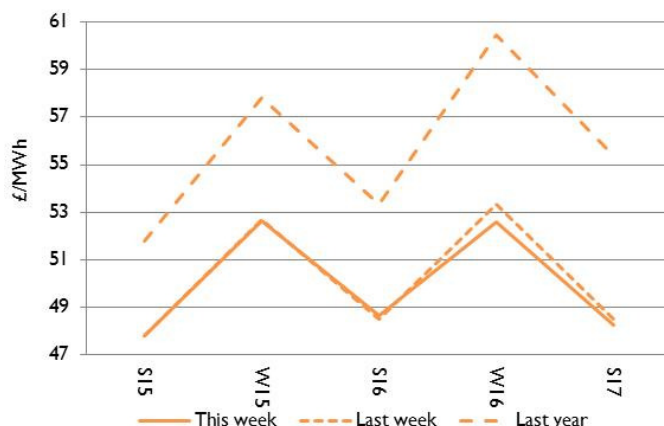


Seasonal power prices

Seasonal power contracts



Seasonal power curve

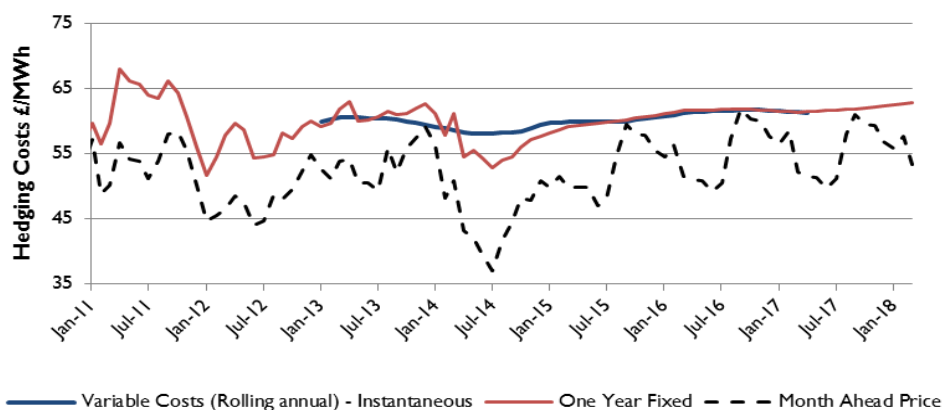


- Summer 15 power remained at £47.8/MWh this week, following stable prices in gas.
- The contract is now 7.7% below last year's price of £51.8/MWh.
- Winter power contracts were down 0.1% on average compared to last week, and are now 11.6% lower on average than last year.
- Winter 15 power was down 0.1% to £52.6/MWh. The contract is now 8.9% below its level a year-ago.

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:

07/11/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	7 Nov 14	52.50	55.33	47.15	50.23	69.65	6.61	82.59
Last week	31 Oct 14	49.50	55.44	45.00	50.25	72.10	6.37	85.33
Last month	10 Oct 14	51.50	57.78	45.15	51.43	72.85	6.07	89.08
Last year	8 Nov 13	65.25	64.05	48.10	54.80	82.80	4.75	103.40
Year-on-year % change		(20%)	(14%)	(2%)	(8%)	(16%)	39%	(20%)
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	69.65	4.27	81.99

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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