

Energy Wholesale Market Review

Week Ending 28th November 2014



edw technology

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

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



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Headlines

Despite dramatic falls for Brent crude oil prices over the week, most power and gas prices rose. Day-ahead gas gained 4.7% to 58.8p/th, as higher demand led to a tight gas system. Rises in the spot market fed through along the curve, as storage withdrawals were needed to balance the system. Summer 15 gas climbed 7.1% to a six-week high of 56.0p/th. Long-term power contracts followed higher, as summer 15 power gained 2% to £49.0/MWh. The contract is now 2.5% above its level last month. Day-ahead power bucked the wider trend to fall week-on-week, dropping 3.8% to £48.0/MWh. In spreads, the annual April 15 clean dark spread rose 3.7% to £19.0/MWh as power prices rose faster than coal. Commodities were a mixed picture this week, as Brent crude oil continued its slump, dropping 1.9% to \$77.3/bl and hitting a four-year low of \$71.9/bl on Friday. In contrast, API 2 coal prices climbed 1.1% to \$73.0/t on the back of partial mine closures and EU ETS carbon prices gained 2.8% to average €7.1/t, their highest weekly average in two years.

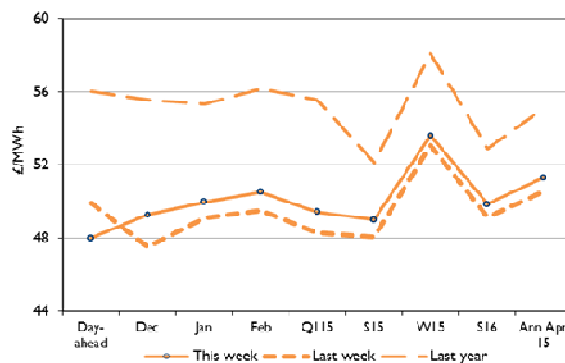
Baseload electricity

- Annual April 15 power rose 1.5% to £51.3/MWh, as following upward movements in gas and coal. Prices are 9.6% below levels seen a year ago.
- Despite lower temperatures and low wind output over the week, day-ahead baseload power saw a fall of 3.8% week-on-week, down to £48.00/MWh.
- The day-ahead baseload power contract is 6.7% up on prices seen last month.

Annual April contract



Forward curve comparison



Peak electricity

- The annual April 15 peak contract dropped 0.7% this week to £55.7/MWh. The contract is now 1.8% lower than last month and 13% below last year's level of £64.2/MWh.
- As delays continued for the restart of two nuclear stations, day-ahead peak power prices rose 3.1% over the week to £57.3/MWh. Increasing power demand also influenced the contract.

Annual April contract



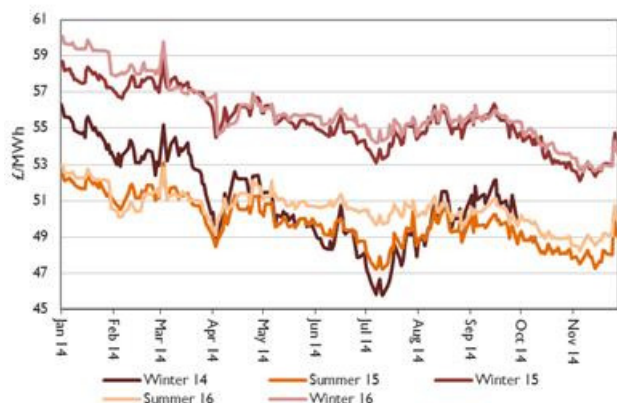
Forward curve comparison



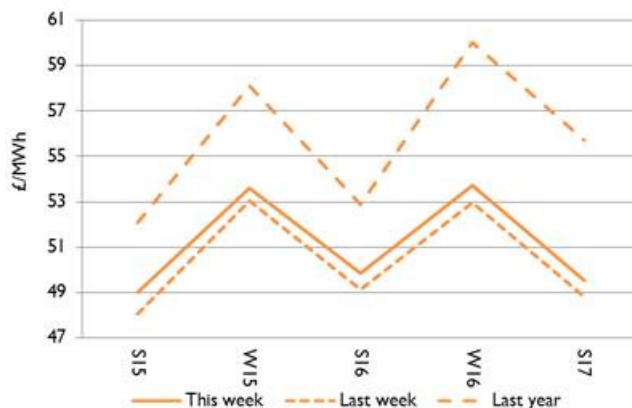


Seasonal power prices

Seasonal power contracts



Seasonal power curve

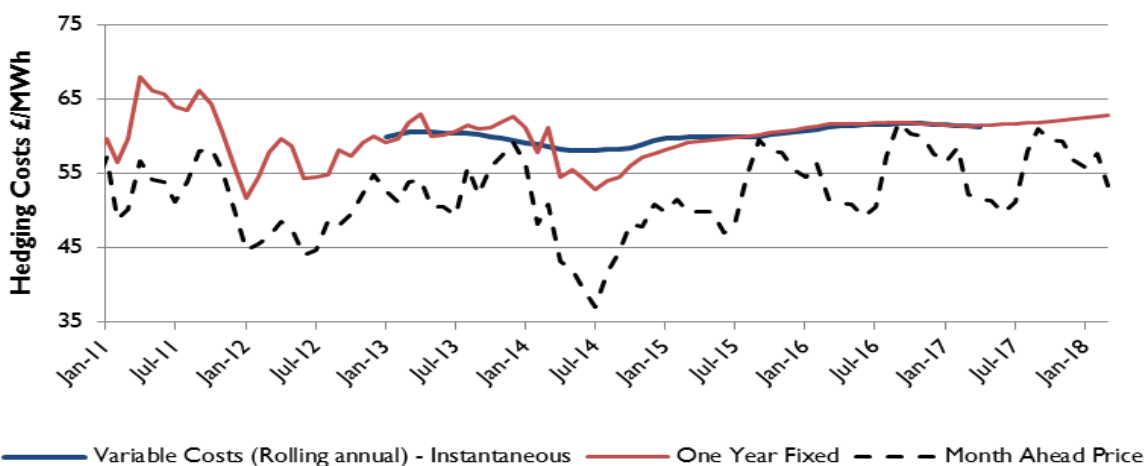


- Power contracts followed the trends in seasonal gas contracts, and were also influenced by a further rebound in coal prices.
- Summer 15 power gained 2.0% to £49.0/MWh and is now 6.0% below last year's level.
- Winter contracts were also up, with gains averaging 1.2%. Winter 15 power climbed 1.0% to £53.6/MWh and is now 7.7% below its level last year (£58.1/MWh).
- All seasonal contracts have responded to the recent upturn in annual coal prices.

Supplier hedging strategies

Power prices reversed recent upward trends to fall in October. Four-year lows for coal and oil prices weighed on the UK power market as long-term power contracts factored in the bearish commodity price outlook. The summer 15 contract dropped 2.3% over the month to average £48.5/MWh and fell to a three-month low of £47.8/MWh on 31 October. The average price for the contract over the month was down 7% on its level last year.

Long-term UK power and gas prices have been impacted by recent falls in global oil prices, which have dropped from levels above \$100/bl in early September to four-year lows of \$81/bl by mid-October. The dramatic decline is a result of oversupply in the market, as a slowdown in global demand has combined with a surge in output from Libya and Iraq. Low demand is expected to remain, with the International Energy Agency recently revising its demand forecast for 2014 down to the lowest level of annual growth since 2009. As a result many price forecasts have estimated Brent crude oil will remain below \$90/bl well into 2015. The weak commodity outlook for both oil and coal has influenced tariff movements over September and October, with some new fixed prices tariffs coming onto the market at around 3% lower than their predecessors.





Wholesale price snapshot

Key market indicators:

28/11/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	28 Nov 14	58.75	59.23	48.00	51.30	72.30	7.08	71.93
Last week	21 Nov 14	56.10	56.03	49.90	50.55	72.20	6.95	79.61
Last month	31 Oct 14	49.50	55.44	45.00	50.25	72.10	6.37	85.33
Last year	29 Nov 13	71.50	65.53	56.00	55.10	81.85	4.54	110.88
Year-on-year % change		(18%)	(10%)	(14%)	(7%)	(12%)	56%	(35%)
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	77.91

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.

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

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