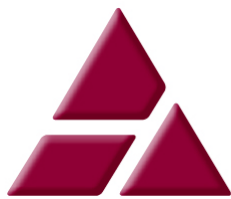


# Energy Wholesale Market Review

Week Ending 5<sup>th</sup> December 2014



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## Headlines

Despite rises in demand this week following colder temperatures, gas and power prices have fallen owing to high gas supplies and further falls in commodities. Further LNG deliveries helped the system remain comfortably supplied and month-ahead gas fell 6% to 55.6p/th. Month-ahead power followed lower dropping to £47.3/MWh. Annual prices were also down and were influenced by falls in oil and coal. Annual April 15 power hit a record low of £49.8/MWh. In spreads, the annual April 15 clean spark spread gained 34% this week to reach to £6.8/MWh, a five-week high, as gas prices fell faster than power. Brent crude oil fell to \$69.1/bl, a new five-year low as Saudi Arabia cut prices, boosting speculation it is defending market share. Coal prices returned to downward trends, declining 2.6% to average \$71.1/t. Production cuts announced in Australia were not enough to curb oversupply in the market. Despite momentum on market reform, carbon prices dropped 3% to average €6.9/t.

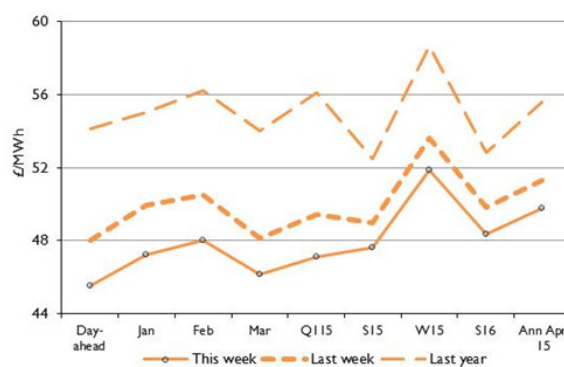
## Baseload electricity

- Annual April 15 power fell 3% to a record low of £49.8/MWh as low commodity prices continued to influence. Prices are now 10% below levels seen a year ago.
- Following falls in gas contracts, most power contracts were lower this week. Month-ahead power was 5.4% lower than last week, down to £47.3/MWh.
- Contracts along the curve were lower with a strong gas supply picture.

### Annual April contract



### Forward curve comparison



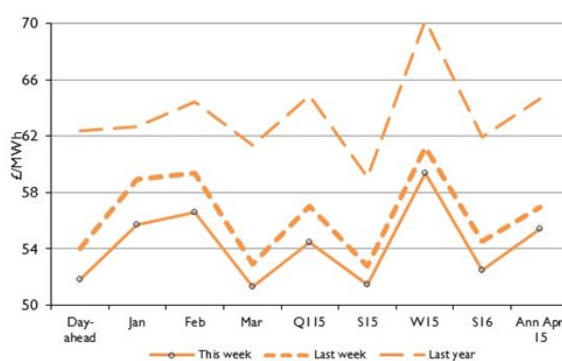
## Peak electricity

- The annual April 15 peak contract fell 2.7% to £55.4/MWh on last week's levels. The contract is now 1.1% lower than last month and 14% below last year's level of £64.7/MWh.
- Despite low wind output, month-ahead peak power dropped 5.4% over the week to £55.7/MWh. February 15 peak power dropped 4.7% to £56.6/MWh.

### Annual April contract



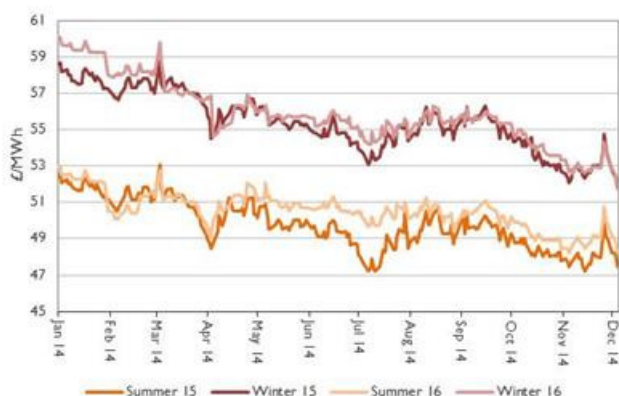
### Forward curve comparison



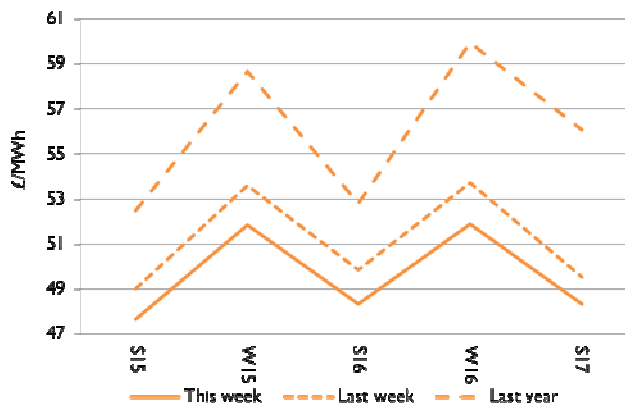


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve



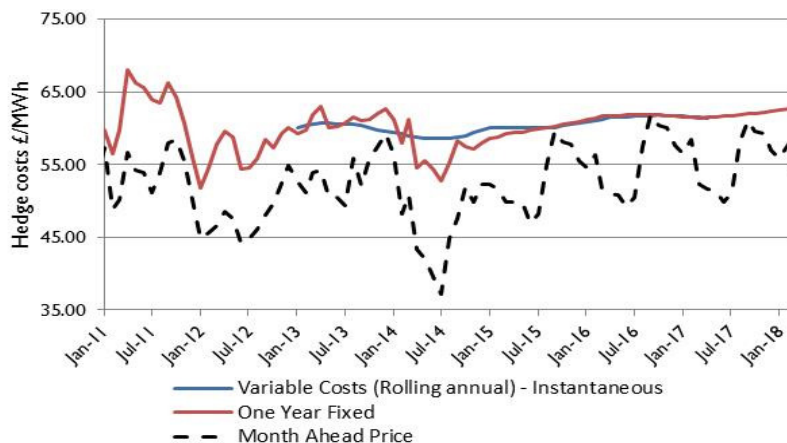
- Seasonal power contracts followed falls seen in gas this week and offset the sharp rises witnessed at the end of last week.
- Summer 15 power dropped 2.8% to £47.7/MWh, and followed falls seen in long-term gas and coal.
- Winter contracts were also down, as the winter 15 contract dropped 3.3% to £51.9/MWh. The contract is now 1.5% below its level last month and 16% down on last year.
- The bearish outlook for oil and coal has been the main driver of falls this week.

## Supplier hedging strategies

Long-term power prices continued to fall through November as low commodity prices once again influenced. As coal and oil contracts dropped to new four-year lows, power contracts were suppressed and the bearish picture for commodities was enough to offset sharp rises for day-ahead power. Summer 15 power was down 1.3% to average £47.9/MWh and the winter 15 contract dropped 2% to £52.8/MWh. Over the month the annual April 15 power contract dropped below £50/MWh for the first time.

Gas contracts were also down in November following the falls in oil and with the continued high supply picture in GB. Despite modern gas contracts moving away from oil, a number of contracts remain oil index linked and are directly impacted by the price of oil. The GB supply picture remained strong, above 90% for the month, owing to below average gas demand and continued injections from LNG sources. The summer 15 gas contract dropped 2.1% to average 51.84p/th, while annual April 15 gas fell 2.6% to average 55.7p/th.

Following another month of lower prices, a number of suppliers reduced their fixed price tariff offerings over November. The average fall was around 2%. Short hedged suppliers who over August and September months had had to raise their tariffs are now feeling the benefits of lower prices over October and November.





## Wholesale price snapshot

Key market indicators:

05/12/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	5 Dec 14	55.60	54.58	45.55	49.75	70.90	6.74	69.18
Last week	28 Nov 14	58.75	59.23	48.00	51.30	72.30	7.08	71.93
Last month	7 Nov 14	52.50	55.33	47.15	50.23	69.65	6.61	82.59
Last year	6 Dec 13	70.90	66.28	54.10	55.58	82.00	4.64	111.30
Year-on-year % change		(22%)	(18%)	(16%)	(10%)	(14%)	45%	(38%)
Year high		71.95	67.53	57.00	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.

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