

# Energy Wholesale Market Review

Week Ending 19<sup>th</sup> December 2014



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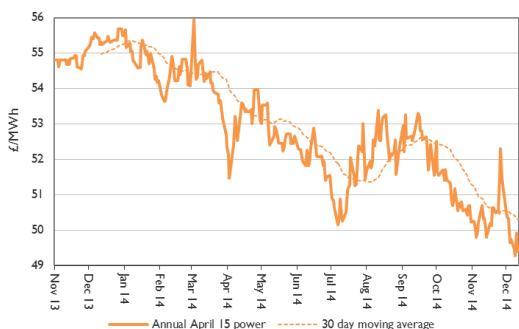
## Headlines

Power gas and power prices fell this week owing to high wind generation and above average temperatures. LNG send-out and further deliveries helped the gas system remain comfortably supplied as month-ahead gas fell 1.3% to 53.6p/th. The Annual April 15 gas contract fell 2.6% to 52.5p/th, its lowest recorded level as falling oil continued to weigh on prices. Annual April 15 power followed its gas counterpart lower and hit a record low of £48.8/MWh. The annual April 15 clean spark spread gained 2% this week to reach £7.3/MWh, a seven-week high rose as annual gas prices fell faster than power. Coal prices continued on downward trends this week, dropping 2.5% to average \$68.7/t as demand from core markets such as India and China continued to weaken. Brent crude oil was down 7.7% to average \$60.7/bl as Saudi Arabia remained bullish over its oil production levels. In contrast, EU ETS carbon prices climbed 3.9% this week, averaging €6.91/t after continued progressive talks in the European Parliament surrounding market reforms.

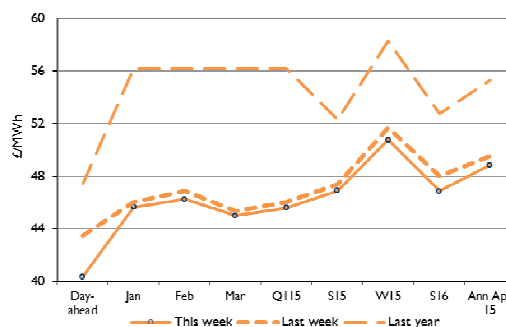
## Baseload electricity

- Annual April 15 power fell 1.9% to a record low of £48.8/MWh as low commodity prices continued to influence. Prices are now over 11.7% below levels seen a year ago
- All power contracts were lower this week as high wind generation influenced near-term contracts. Month-ahead power dropped 7.0% to £45.7/MWh.
- Contracts along the curve were lower following their gas counterparts. Summer 16 power is now 16% above the day-ahead price.

### Annual April contract



### Forward curve comparison



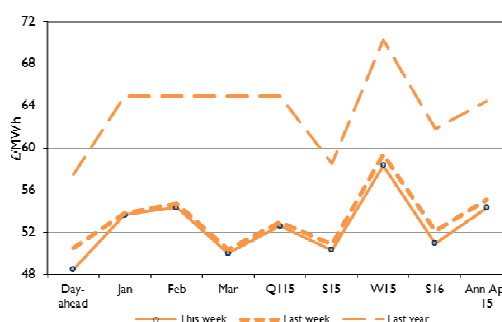
## Peak electricity

- The annual April 15 peak contract fell 1.4% to £54.3/MWh on last week's levels. The contract is now 3.6% lower than last month and 16% below last year's level of £64.4/MWh.
- Month-ahead peak power dropped 0.4% over the week to £53.7/MWh. February 15 peak power dropped 0.7% to £54.4/MWh. The month-ahead peak contract is 7.7% down on last month.

### Annual April contract



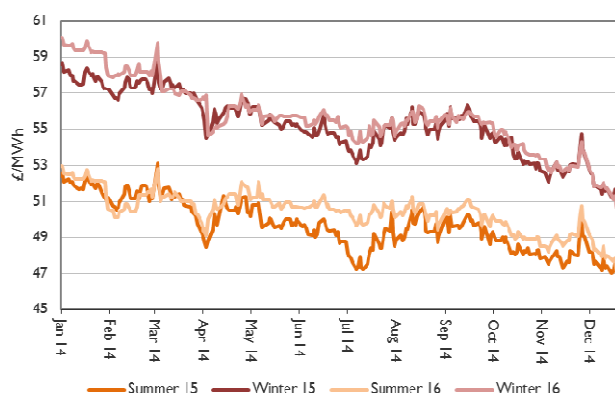
### Forward curve comparison



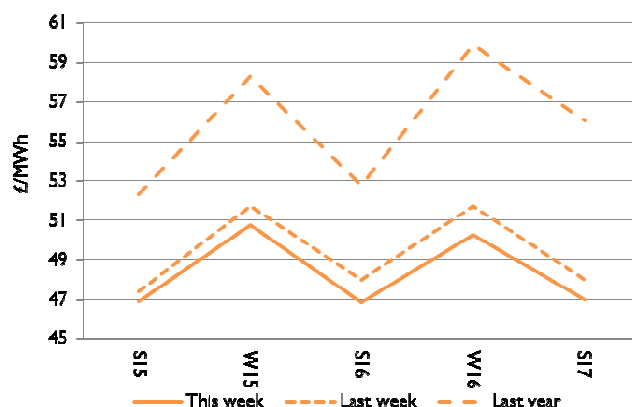


## Seasonal power prices

### Seasonal power contracts



### Seasonal power curve



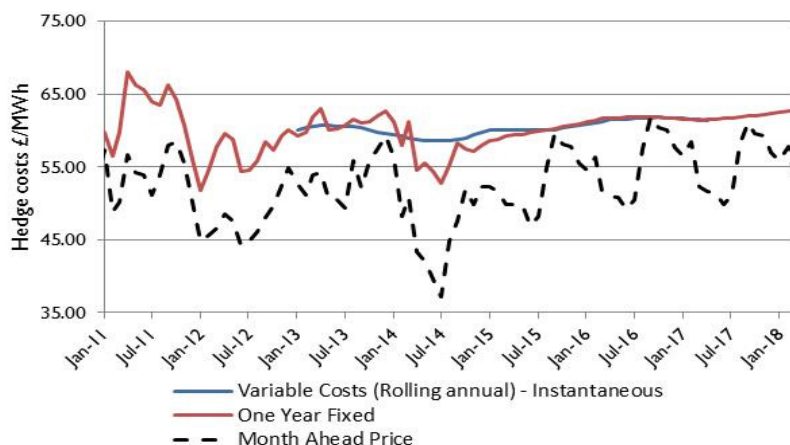
- Falls in gas and coal fed into power contracts this week. The strong gas supply picture also influenced.
- Summer 15 power dropped 1.1% to £46.9/MWh, a record low for the contract.
- Winter contracts were also down, as the winter 15 contract dropped 1.8% to £50.8/MWh. The contract is now 13% down on last year.
- Low commodities have now pushed nearer dated seasonal contracts to record lows.

## 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:

19/12/2014

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	19 Dec 14	52.50	52.54	40.35	48.83	68.00	6.89	59.99
Last week	12 Dec 14	54.30	53.93	43.50	49.55	70.20	6.66	63.05
Last month	21 Nov 14	56.10	56.03	49.90	50.55	72.20	6.95	79.61
Last year	20 Dec 13	69.25	65.88	47.45	55.30	83.40	5.00	110.40
Year-on-year % change		(24%)	(20%)	(15%)	(12%)	(18%)	38%	(46%)
Year high		70.90	67.50	56.30	54.63	87.30	7.22	115.20
Year low		34.70	53.38	34.00	46.48	69.65	4.27	59.35

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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