

# Energy Wholesale Market Review

Week Ending 9<sup>th</sup> January 2015



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## Headlines

Seasonal power and gas contracts hit fresh record lows this week as warm temperatures and further weakening in commodity markets pulled contracts lower. Gas contracts were down across the board, with the annual April 15 gas contract falling 4.1% this week to 48.6p/th, its lowest recorded level. Its power counterpart followed lower, dropping 4.2% to £44.8/MWh. Short-term contracts also fell, with a strong supply picture and low demand pulling day-ahead gas down 4.2% to 45.5p/th. In commodities, coal prices continued on downward trends this week, tumbling to fresh four-year lows of \$59.0/t a drop of 7.7%. Brent crude oil prices dropped further this week to average \$51.9/bl, as production levels remained high despite a global supply glut. The contract breached the psychological barrier of \$50/bl on Wednesday to hit five-and-a-half-year lows. EU ETS carbon prices fell 5.5% this week to average €6.9/t as the EU carbon auctions resumed.

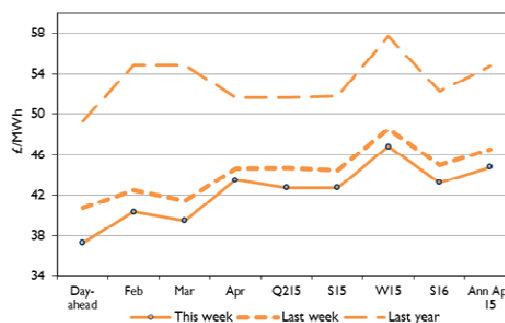
## Baseload electricity

- Annual April 15 power fell 4.2% to a record low of £44.8/MWh this week as low gas and coal prices continued to influence. Prices are now over 18% below levels seen a year ago.
- Most baseload power contracts decreased this week as falling gas prices helped pull contracts lower. Month-ahead power dropped 4.1% to £40.3/MWh.
- Contracts along the curve followed their gas counterparts lower. Following steep falls in the day-ahead market, the Summer 16 power contract is now 16% above the day-ahead price.

### Annual April contract



### Forward curve comparison



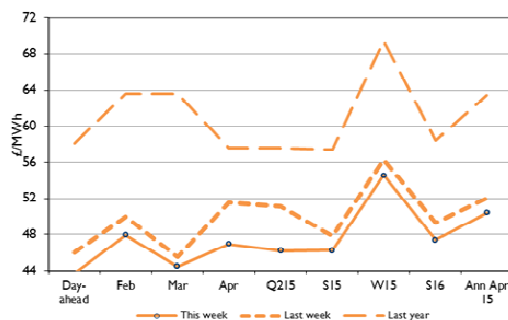
## Peak electricity

- The annual April 15 peak contract fell 3.2% to £50.4/MWh, a new low. The contract is now 3.2% lower than last month and 21% below last year's level of £63.4/MWh.
- Month-ahead peak power dropped 4.1% over the week to £48.0/MWh. March 15 peak power dropped 2.2% to £44.5/MWh. The month-ahead peak contract is 12.4% down on last month.

### Annual April contract



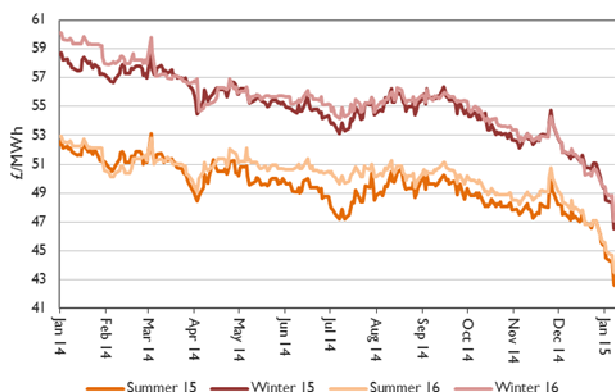
### Forward curve comparison





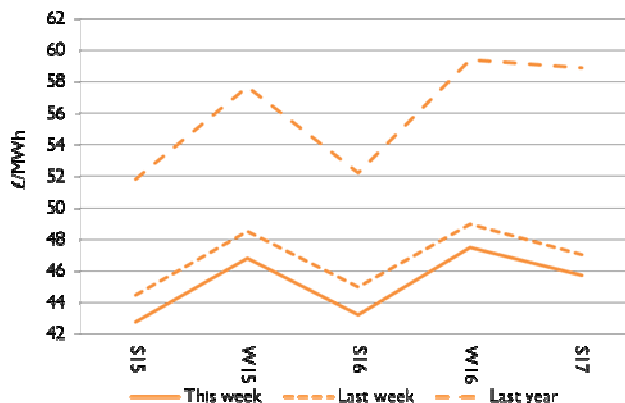
## Seasonal power prices

### Seasonal power contracts



- Power contracts followed their gas counterparts to record lows this week, and were also influenced by new four-year lows for coal.
- Summer 15 power dropped 3.9% to £42.8/MWh, a record low for the contract and a 18% reduction on levels seen a year ago.

### Seasonal power curve



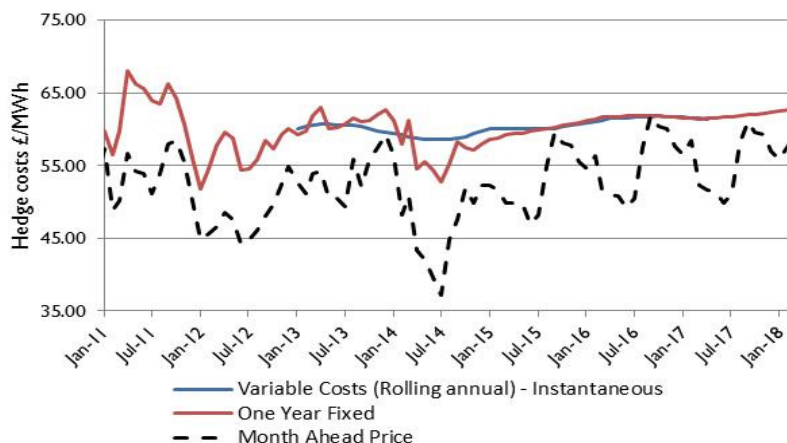
- Winter contracts were also down, as the winter 15 contract dropped 3.5% to £46.8/MWh. The contract is now 19% down on last year.
- The low commodity price outlook has continued to put downward pressure on seasonal prices.

## 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:

09/01/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	9 Jan 15	46.10	47.12	37.30	44.78	59.50	6.79	50.59
Last week	2 Jan 15	47.40	48.61	40.75	46.50	65.50	7.17	57.14
Last month	12 Dec 14	54.30	53.93	43.50	49.55	70.20	6.66	63.05
Last year	10 Jan 14	66.85	64.90	49.30	54.75	86.55	4.56	107.70
Year-on-year % change		(31%)	(27%)	(24%)	(18%)	(31%)	49%	(53%)
Year high		70.90	66.35	56.30	55.95	87.30	7.42	115.20
Year low		34.70	48.61	34.00	46.50	65.50	4.27	56.40

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.

Commodity	Unit	Year Low	Year High	Current Week Price
Gas	p/th	34.70	70.90	46.10
Electricity	£/MWh	34.00	56.30	37.30
Coal	\$/t	65.50	87.30	59.50
Carbon	€/t	4.27	7.42	6.79
Brent crude	\$/bl	56.40	115.20	50.59



## 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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