

Market Report, 6 June 2011

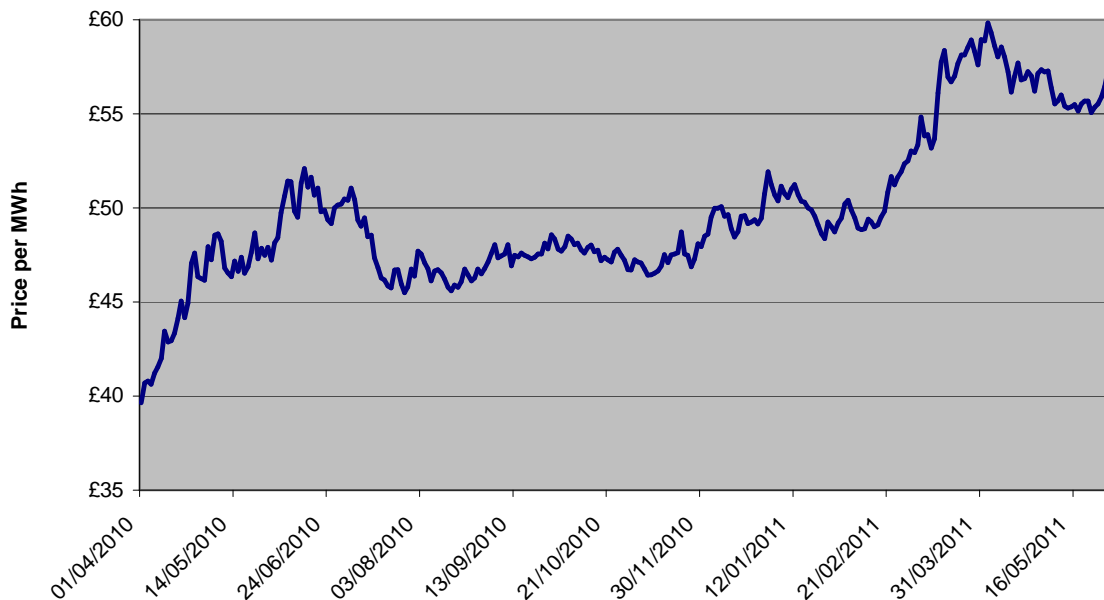
Power price update

A warmer than usual spring for most of the UK saw comfortable system margins and wholesale prices coming off their end of March highs, but only slightly. A lot of large-scale generation comes out for maintenance at this time of year, but has been offset by plentiful supplies of LNG. Significant margins therefore remain, with baseload power prices tracking fuels.

The BritNed interconnector with the Netherlands came on stream during the quarter, increasing our security of supply through continental grid connection. The market responded to Germany's decision to close all nuclear generation over the next 10 years, but the near-term effects of this are likely to be short-lived. Global supplies of LNG over the summer (as we enter Japan/ East Asia's summer peak demand season) are likely to have the strongest effect on prices for the next few months.

The graph shows the price at which the October 2011 annual baseload contract has traded during the past year since April 2010.

October 2011 Annual Baseload Price



ROC market update

CP9 (2010-11) ROCs in the past three NFPA auctions have sold for an average of £49.89, £50.54 and £51.24 respectively. The steady monthly rise in ROC auction values reflects (i) the increasing accuracy of ROC out-turn value forecasts, as the ROC year comes closer to completion, and (ii) the cost of carry for the purchaser before ROCs can be submitted to Ofgem in September. The June auction will be the last for CP9 ROCs.

FiT market update

The comprehensive FiT review consultation will be launched this summer and could potentially affect hydro of any scale. An update of the proposals will be provided in the next quarterly report.

Statistics from the Central FiT Register show that there are now 215 accredited hydro schemes, totaling 11.9MW. Hydro capacity currently accounts for 8.3% of the 143MW total FiT market (a 3% decrease in share on the last quarter, due to the continuing rise of solar PV installations; this trend may continue during this quarter, as a number of large scale solar parks are rushed to completion ahead of the proposed 1st August tariff changes).

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