

E.ON Monthly Market Report September 2013

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Market summary for September

Gas prices softened in August as storage sites replenished stock levels faster than expected creating a more robust gas system leading into winter

Power prices have edged lower recently as nuclear and coal availability has started to improve and weaker gas prices have helped to reduce expected costs of generation

Brent Crude price peaked at a six-month high as political tension surrounding Syria raises concerns of threats to oil production in the Middle East

Carbon market increased slightly as thin liquidity and fewer allowances available in auctions kept prices firm

Direction of commodity prices (August 2012 to August 2013)

Power price



Gas price



Oil price



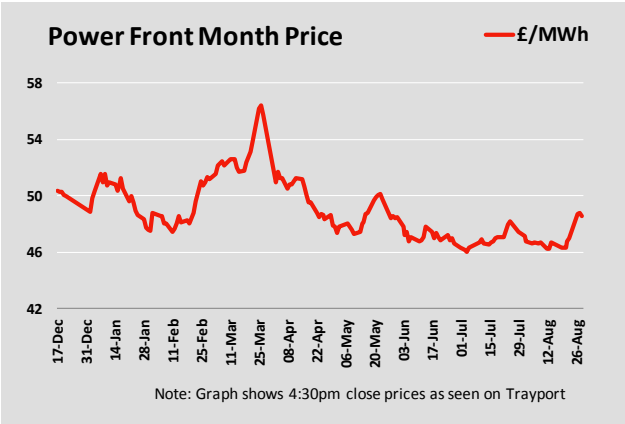
Carbon price



Power

Increased supply and lower costs add downward momentum

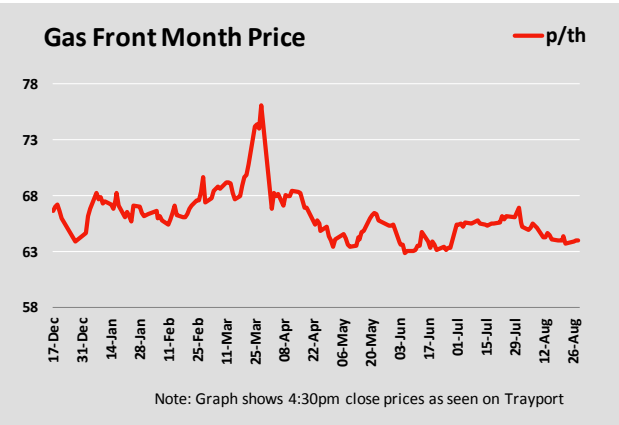
Nuclear plant availability improved at the start of the month boosting supply in the power market and weaker gas prices reduced the risk of higher costs to generation. Prices started to increase toward the latter end of the month due to several coal plant outages and volatile wind output. However, prices have generally trended downwards throughout August.



The graph opposite shows the front month price and in late August the front month switched to being October. The seasonal demand difference between September and October is therefore primarily responsible for the spike seen here.

Healthier than expected storage levels reduce risk for winter

Gas



Above average temperatures helped to peg LDZ demand down during August. This gave the UK gas system an opportunity to replenish stock levels at a time when Norwegian and off-shore terminal maintenance work was expected to reduce supply. This gave the market greater confidence that the system would be able to manage demand and supply shocks ahead of the winter months and also reduced the expected demand required to inject gas reserves into storage over the coming months. The increased robustness in the system has been reflected in the fall of the front month price.

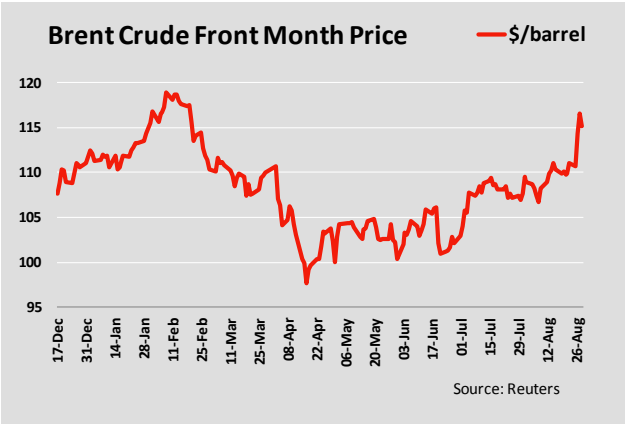


Oil

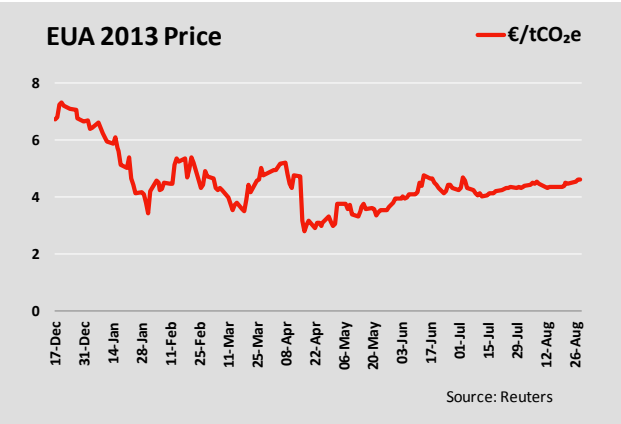
Crude oil peaks to a 6-month high as tensions in Syria flare

Crude oil prices soared towards the end of August as worries that a possible military strike by Western powers against Syria could affect Middle Eastern supply. The news sent the front month future price to a six-month peak.

In economic news, the euro zone has emerged from its longest ever recession. However, positive economic news from the United States is currently being offset by increased expectations that the Federal Reserve may begin scaling back monetary stimulus, increasing the cost of borrowing. Investment in emerging markets appears to have been most affected by the news.



Carbon



Low volumes keep prices firm

Carbon prices made some small advances last month as the amount of allowances available at auction were relatively low. Thin liquidity, due to many market participants being away from their desks on holiday and the absence of significant market news restricted any large scale price movement.



Things to watch out for in September

- **6th September:** U.S. employment data (inc. non-farm payrolls)
- **7th September:** Rough gas storage site, planned 17 days maintenance begins
- **11th September:** UK unemployment data due
- **12th September:** U.S. Federal Budget
- **14th September:** Bacton Shell off-shore terminal, planned 2 day maintenance begins
- **17th September:** BBL pipeline for Dutch gas imports expected to close for 2 days
- **19th September:** U.K. Retail Sales data due

Jargon buster

CCGT:	Combined Cycle Gas Turbine
LDZ:	Local Distribution Zones
LNG:	Liquefied Natural Gas
MCM:	Million Cubic Meters
NBP:	National Balancing Point
NTS:	National Transmission System
OFGEM:	Office of Gas and Electricity Markets
OPEC:	Organization of the Petroleum Exporting Countries
RO:	Renewables Obligation

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