

# Improving your energy price



## Who are Inenco?

- Europe's leading energy consultancy
- Established 1968 in Lytham St Annes
- Over 300 employees based in 5 offices
- ISO 9001:2000 accredited
- Pioneered wholesale energy procurement
- FSA accredited since 2007
- Trade over €1.4 billion on wholesale market
- Energy Consultant of the Year 2010 as voted by our clients



Some of our clients include:



## How can you improve your energy price?

Your energy price is made up of several elements. The majority is the cost of the energy itself, as bought from the wholesale market. The remainder is split between regulated distribution and transmission costs, and the profit margin built in by your supplier.

Traditionally, organisations have tried to improve their price by negotiating the supplier margin, the smallest element of the overall cost at around 10%, during the annual contract tender. The wholesale energy price, which typically accounts for 70% of the cost, has been dictated by the market price on the day that the contract offer was made.

Within today's volatile energy markets, a sole focus on the supplier margin offers little in terms of control or price improvement. The greatest opportunity to improve your price is with carefully timed procurement of wholesale energy.

At 70% of the cost and previous volatility of up to £60/MW over a 6 month period, this offers a huge opportunity to improve price. This is why Inenco's approach to procurement focuses on timing and risk management techniques to squeeze the most value out of the wholesale energy price.

By shifting their focus to optimisation of the wholesale market price, our clients are able to gain a greater control over their price, reducing their overall energy costs. The first step towards achieving this is to understand how the energy market works.

"Working alongside Inenco we have been able to change our approach to energy procurement, moving away from fixed price contracts and the associated risk of 'fixing in' at the wrong time."

~ Adam Sims, CFO, Aesica Pharmaceuticals

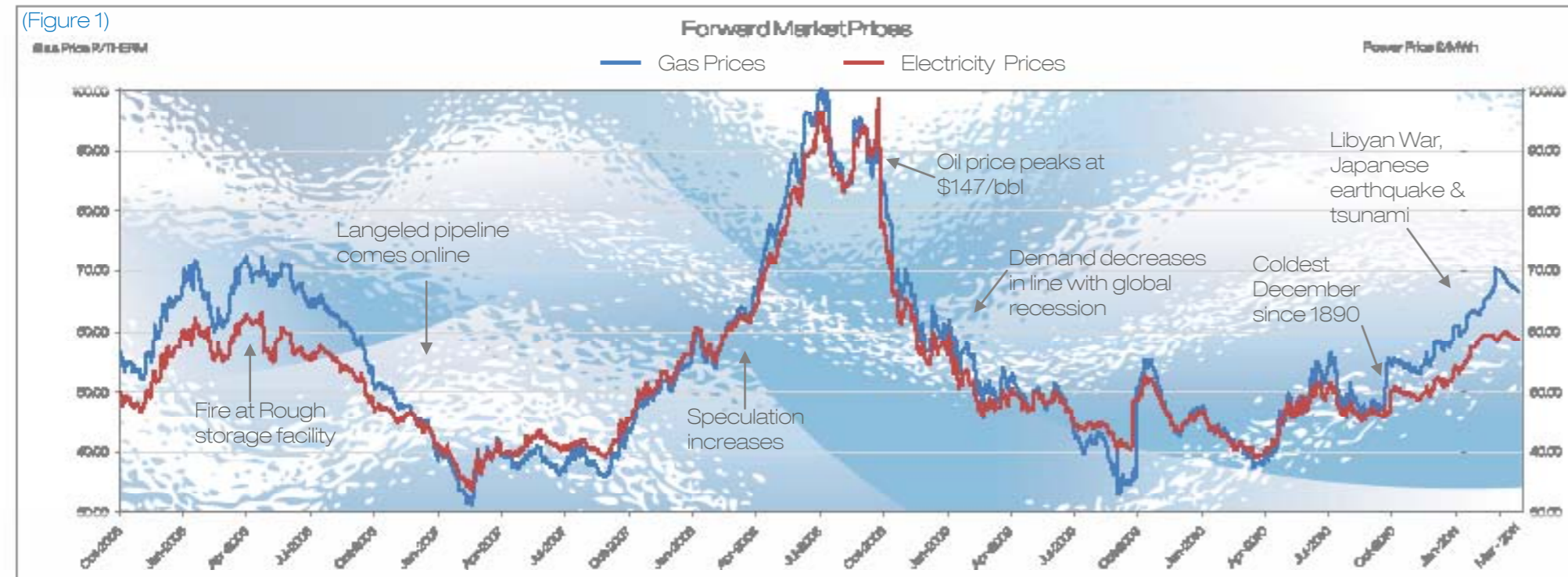


# Gas and Power Markets

Prices in the Irish gas and power markets are controlled by supply and demand, like any other wholesale market. On any given day, the factors driving this may include the status of gas pipelines, weather, world events, the link to oil prices and LNG (Liquefied Natural Gas) supplies. Over 90% of gas in Ireland is imported via the Moffat interconnector which connects Scotland to the Republic of Ireland, the SNIP also connects Scotland to Northern Ireland and finally LNG imports arrive via the Shannon LNG terminal. UK gas prices are therefore strongly linked to Ireland.

For power, Northern Ireland is again connected to Great Britain via the Moyle interconnector in Scotland, and Northern Ireland and the Republic of Ireland are united via the SEM which came into play in 2007. As more than 50% of electricity is generated from gas, there is a strong correlation here to UK gas prices again. So the best move you can make as a business to embrace the new energy market in Ireland is to be informed and reactive to the UK gas market.

The UK gas market is highly volatile and over the past 10 years, prices have varied significantly as a result of both anticipated and unanticipated events. This has resulted in price volatility of 5% to 10% or more over a few days, as shown in Figure 1 below. The only way to control and improve your price in volatile market conditions is by staying informed, and timing your energy purchases carefully. Effective energy purchasing requires market intelligence and the capability to react quickly to price changes. This is the basis of the Inenco approach to energy procurement.



# Inenco's Approach to Energy Procurement

In Energy Procurement, you must decide between being certain about the price you pay in advance, or seeking to improve it.

It's likely that you will be familiar with traditional tender, which is an approach that provides price certainty but does not allow you to improve your price.

Achieving a good price with a single decision is highly risky in a volatile market, as what appears to be the best price now, may not be competitive in 6 months time. In fact, it is only with hindsight that you can see how your price compared with the market average.

The Inenco approach to energy procurement is centred on a flexible arrangement, which allows you to split your energy requirements into several separate smaller purchases (tranches). This spreads the risk across the year and provides multiple opportunities to improve your price.

Often the trade off for using a flexible approach is the lack of price certainty in advance, because you don't know until your energy is bought what your price will be.

Ideally, it would be possible to have elements of both, certainty so you can budget, and the opportunity to improve your price.

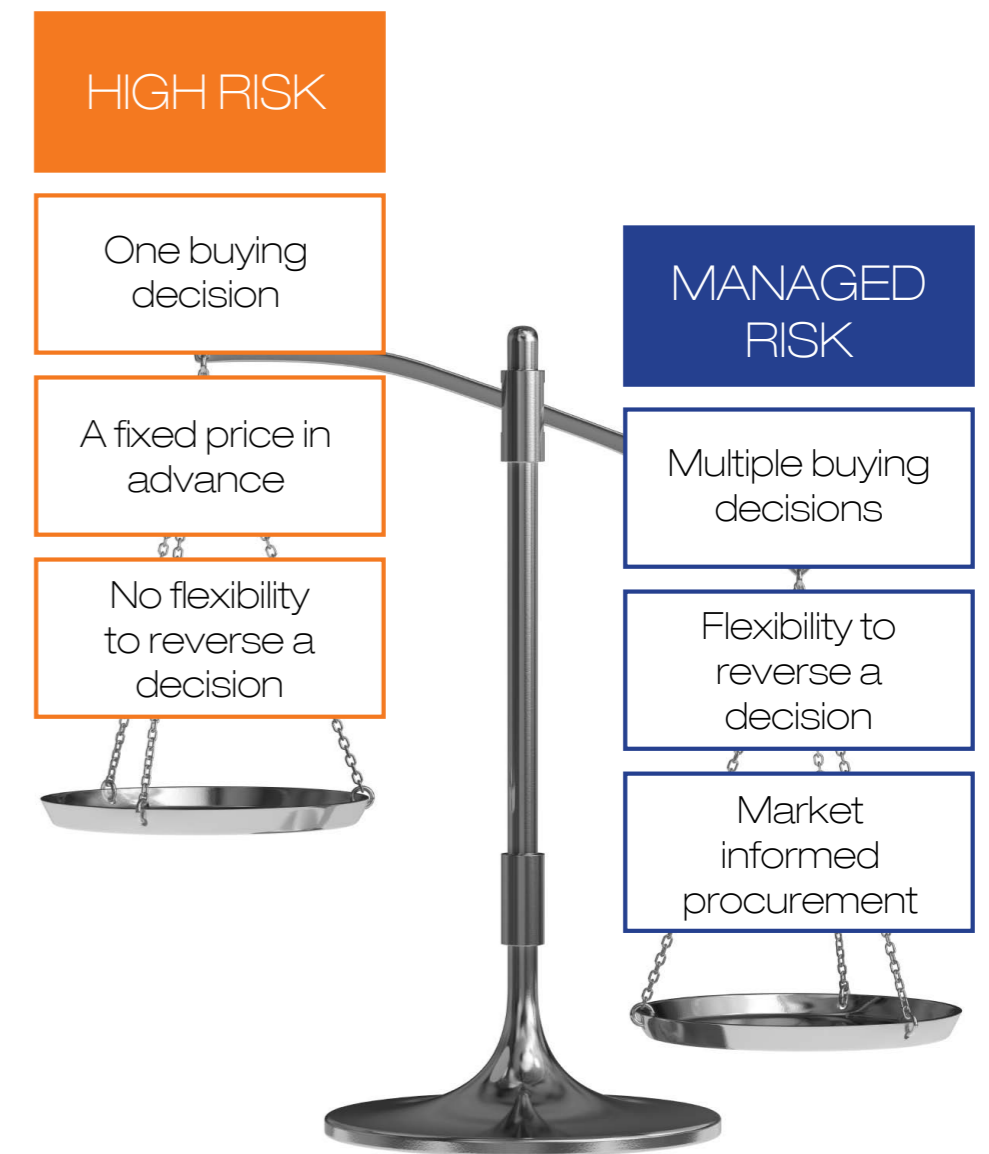


Figure 2: Certainty vs. Protection

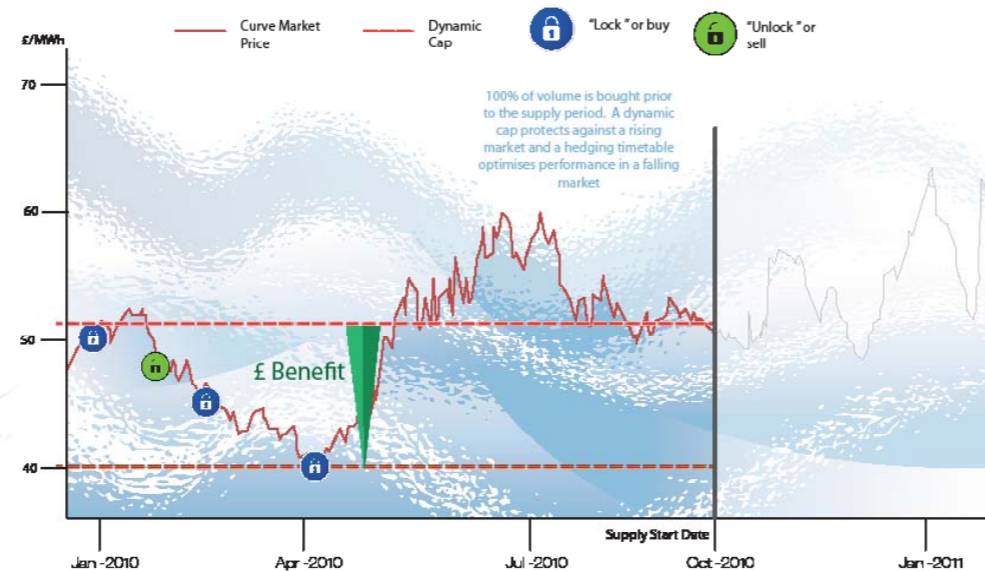
# A Capped Strategy

Inenco's capped strategy can offer you the best of both worlds.

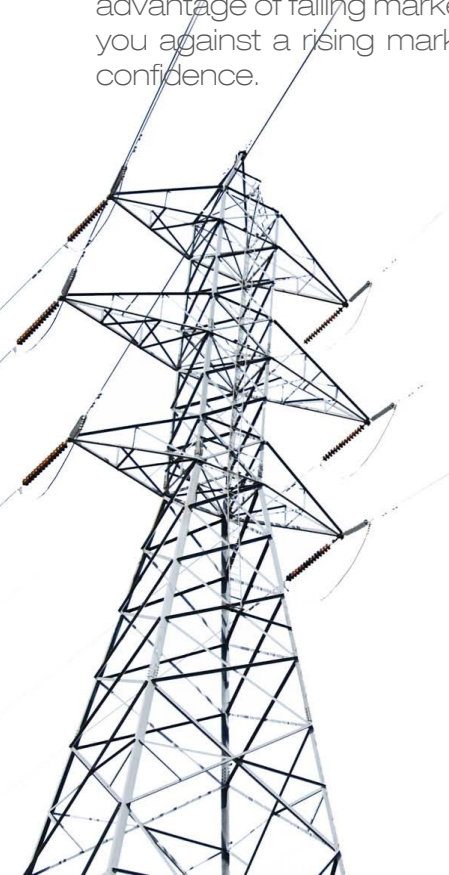
As shown in Figure 4, a cap will be set at the start of the contract based on market price and trades will be made at optimum times throughout the contract when the market is falling. However, if the market rises you will simply receive a price which reflects the initial cap position.

This gives you a better chance of reducing your costs, as with numerous opportunities to buy small portions of volume, it is less likely you will lock in at an uncompetitive rate. Therefore, it gives you the flexibility to take advantage of falling markets to improve your price, whilst also protecting you against a rising market. This means that you can still budget with confidence.

Illustration of Capped Strategy (Figure 4)

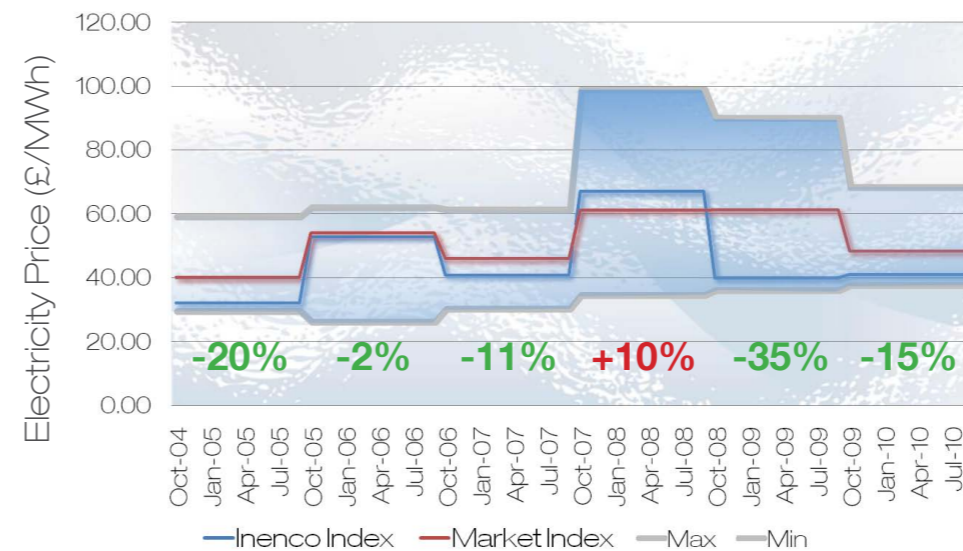


- ✓ Manage the risk of energy price volatility by spreading purchasing decisions across your supply period
- ✓ Improve your price by taking advantage of falling energy markets
- ✓ Protect your business against the impact of rising energy markets
- ✓ Prices known in advance of delivery



# Our Track Record

Inenco performance against the market (Figure 5)



At Inenco, we are very proud of the results we have achieved for our clients over the years. We have competed in some of the most volatile market conditions, securing better than average prices consistently without taking excessive risks.

As part of our continuous improvement, we are constantly reflecting on our performance and looking for ways in which we can improve the experience and results we achieve for our clients.

Figure 5 shows our success at interpreting energy markets, illustrating the average prices we have achieved in the UK power market over the past five years.

Performance:

- ✓ Our capped strategy benefit in 2010 was **over €6 million**
- ✓ Every year we manage **€1.4 billion worth of gas and electricity** for high profile clients in every major sector across Europe
- ✓ We can demonstrate consistent delivery of an **overall price benefit** to clients
- ✓ We were able to deliver a **35% improvement** on market average prices in 2009
- ✓ Our clients voted us **energy consultant of the year** in 2010

“Inenco’s people are very customer focused and keen to do a good job”  
~ Marks & Spencer Plc

# Meet the Team

The Inenco Trading team comprises of over 50 Energy Procurement experts.

The profiles shown on this page are just a sample to demonstrate the wealth of experience we have available to help you to [improve your energy price](#).

Finding out more.



+44(0)1253 785000



[enquiries@inenco.com](mailto:enquiries@inenco.com)



[www.inenco.com](http://www.inenco.com)

Document Version 1.0. Copyright Inenco 2011



**Inenco Group**  
Energy Consultant of the  
Year 2010  
[www.energyexcellenceawards.com](http://www.energyexcellenceawards.com)



**Stuart Lea**  
Head of Energy Trading

Stuart has worked in the energy industry for over 14 years. He started his career at British Gas and has held a variety of roles involving the management of Energy Trading in UK and Europe. In his current role, Stuart has overall responsibility for energy trading at Inenco. Stuart is FSA approved as well as being a member of the Chartered Institute for Securities and Investment.



**Katrina Oldham**  
Trader

Katrina has 3 years experience in the energy industry. Katrina joined Inenco as a Market Analyst providing crucial information to our Traders and is now the Lead Gas Trader specialising in technical market analysis. Katrina is FSA approved as well as a member of the Chartered Institute for Securities and Investment.



**Angela Miller**  
Trader and Energy Trading Desk Manager

Angela has 8 years experience in the energy industry. Angela started her career in energy at Shell. She has held a variety of roles specialising in fundamental and technical analysis as well as trading and account management. At Inenco, Angela has set up and also manages our Energy Trading Desk.



**Dave Loveday**  
Senior Energy Trader

Dave has 14 years experience in the power market including working at Drax Power Station as their lead green trader managing their carbon position as part of EU-ETS compliance. At Inenco, Dave specialises in our carbon and export generation portfolios. He has completed an MBA and is FSA approved.