

Entel

Entel is an independent energy and telecommunication consultancy. Entel's sole aim is to reduce utility overheads and improve efficiencies for our customers.



[Improving your profitability and efficiency]

Flexible Energy Purchasing

Many energy-intensive companies are exploring new methods of buying energy, that can help them to take control of their costs and save money through a risk-managed, flexible purchasing approach.

Traditionally, fixed-price contracts are agreed between suppliers and customers. The prices offered are dependent on the state of play in the wholesale market at the time the deal is made, and as the market is so volatile, the timing of your approach can make a huge difference to the price you pay.

Flexible Purchasing changes this by allowing customers to agree a contract that doesn't fix the price at the outset. Instead, customers watch the wholesale market, and fix prices at times when the market is favourable. Customers generally fix prices for monthly or quarterly (three month) periods.

The advantages of Flexible Purchasing

There are two main advantages to Flexible Purchasing. The first is that under a 'traditional' fixed-price contract, a customer has only one chance to agree a good price. If they choose to compare prices at a time when the wholesale cost of energy is high, then they must bear that high cost for the entirety of their contract. In contrast, Flexible Purchasing allows customers to fix prices at several times over the contract period. By watching the wholesale position carefully, customers can secure prices at low points in the market, avoiding the peaks. This spreads the risk of energy purchasing across the whole contract period, giving you a better chance of achieving the optimum price.

The second main advantage to Flexible Purchasing is that under this system you will generally be fixing energy prices closer to the actual delivery period. For example, under a traditional fixed-price contract, commencing in October, you are buying energy for the whole 12 months, or sometimes even longer. This means that you are asking the market for a price for energy to be delivered far in the future. Generally speaking, the further ahead in time you look, the greater the volatility or uncertainty in the wholesale price. This uncertainty is expressed as a premium on the quoted wholesale price. A Flexible Purchasing strategy means that you will normally be obtaining prices much closer in time to the actual physical delivery period, when price fundamentals are much clearer, and uncertainty is at a minimum.

To illustrate this point, we can examine wholesale energy prices quoted in June 2007, as described below:

For electricity to be delivered over the following two months (July and August '07), wholesale prices averaged out at around £25.5 per MWh. For the same two months in 2008, prices averaged at £36.14 per MWh - more than 40% higher. July and August 2009 were quoted higher still, at £37.01 per MWh. So the same two months become more expensive over successive years, largely because of uncertainties about what supply fundamentals will be like in the future.

Entel's role

Entel are experts in wholesale energy markets. We can arrange Flexible Purchasing contracts, provide detailed market information to our clients, and assist with purchasing decisions. Entel clients with Flexible Purchasing enjoy a complete dedicated service from their Entel Account Manager.

For more information, call Entel on 0800 970 9370 or email info@entelcg.com

