

Manage Price Risk:

- Risk Audit
- Risk Policy
- Market Information
- Optimised Purchasing
- Collaborative Arrangements

Flexible Contracting

Flexible Contracting Procurement Services

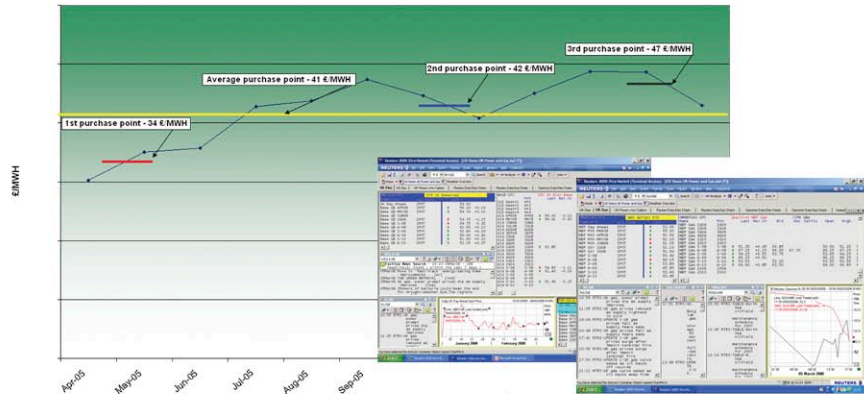
As market uncertainty and volatility remains, flexible contracts are becoming more popular with energy buyers who are confident of delaying procurement of the actual energy used during their supply contract, whilst fixing the management and standard preset elements of supply costs.

What is flexible contracting and how does it work?

Rather than taking a fixed price for the entire duration of your energy supply contract, an energy buyer with considerable energy consumption requirements can opt for greater flexibility over when they purchase the associated energy used, taking advantage of buying at times when the market is more favourable. That said, the process involved introduces a great risk since prices can go up as well as down.

... UX Procurement Services

Multiple Purchase points of a Single Month - Apr-06



Buying an annual contract means the supplier has to secure energy for the duration of the supply contract up front where there is huge speculation and therefore greater risk as to what the price will be further out in the contract term - this attracts a premium. As the period in question approaches, energy traders have a better understanding of issues that affect price, such as availability of supply, and thus in the majority of cases the price will be lower the closer you get to the time of supply. Furthermore, by observing market moves and issues that affect price, the energy buyer can now look to purchase energy when conditions and therefore prices are favourable.

Suppliers provide various options for flexible contracting, from limiting the flexibility to the winter months (Q1), traditionally the most expensive, to fully indexed products where the buyer can react to market moves throughout the term.

