‘OPTIONS’ (FLEXIBLE PROCUREMENT AS PART OF A PORTFOLIO)

Inenco’s procurement team procure over 25TWh of energy every year on behalf of over 800 organisations. Established for over 50 years, we pioneered wholesale purchasing in 2003 and are still the market leader in energy procurement solutions. Inenco’s Options portfolio approach offers you the opportunity to take flexible approach to your procurement when you would not ordinarily have access to, or the appetite for, bespoke flexible supply contracts. The portfolio approach aggregates the volume of a group of clients with similar profiles and trades the volume together as one, under a pre-agreed strategy. When tendering for the Options portfolio providers, we carried out a formal, transparent ITT process, scoring each supplier on various aspects of their ability to serve our clients, including product characteristics, trading, pass through charges, billing and metering. The successful suppliers were selected based on the results of the scoring matrix, giving complete transparency and the best result for our clients.

THE THREE STRATEGIES ARE AS FOLLOWS:

1) Capped – providing you with upper budget protection.

The aim of a capped approach is to provide price certainty while enabling you to take advantage of any downward market movement. Your cap is initially set on day 1 of trading. It is typically set at the market price plus a buffer (typically around 5%) to protect capital at risk and to ensure as best we can that the cap is never hit through normal market volatility. Every evening when the markets close, the cap is re-calculated. If the mark position plus 5% is lower than it was at the start of that day, the cap is re-set at the lower position ready for the next day’s trading. This ensures that the cap tracks the market down. The cap will only lower, it does not increase. If the market increases and the cap is threatened or hit, any remaining tradable volume is hedged. Once trading is completed, in advance of each delivery period, the weighted average price of the trades is given to the supplier who is tasked with building this into a unit rate based upon the profile of each meter. This will be the unit rate for the ensuing 12-month term.

What is the benefit to you?

This strategy allows you to set a maximum commodity price at the outset of trading, with the aim being to never exceed this level. It provides upper price certainty but also allows you the potential to take advantage when the market falls.

What kind of organization is this strategy designed for?

This is the lowest risk strategy under Options. It allows you to take a position in the market and then benefit from any downward market movements.

Please note that the above strategy is the current strategy for your Half Hourly supplies.

2) Trend – hedging your energy volume to take advantage of market trends

This can be a high performing strategy. The aim is to trade more aggressively in both rising and falling markets and without the restriction of an upper cap.

The trading decisions are based upon technical analysis, whereby we use complex algorithms to identify the direction of the medium-term trend in the market. This means that purchases are made close to market movements and make the best use of market volatility.

What is the benefit to you?

This strategy uses market volatility to your advantage rather than it presenting a risk. This strategy uses unlock transactions to reverse a trading decision and allows you to take advantage of a falling market. This strategy makes the best use of our trading desk, harnessing the technical expertise to achieve the best result for you.

What kind of organization is this strategy design for?

This is a medium risk strategy under Options. It protects against rises in the market, but there is no absolute cap level. You can take advantage of any downward market movements, allowing you to improve your price.

Please note that the above strategy is the current strategy for your Non-Half Hourly & Gas supplies.

3) Prompt – placing volume on the Day Ahead or Month Ahead markets, potentially offering the highest rewards in a falling market

This strategy is typically used for a smaller percentage of volume, backed up by the capped and/or trend options, under which you forward hedge and find an upper budget position. The exposed volume is either bought on the month or day ahead markets and is bought during the delivery period in an effort to optimize the achieved price.

The prompt strategy does not take any account of forward market movements. In falling markets this option allows you to achieve the absolute bottom prices available on the market, but it can see fluctuation from the absolute low to absolute high within a short space of time.

What is the benefit to you?

This strategy seeks to take full advantage of the most favorable prices around, but in doing so you are exposed to the full swing of the market. If the market peaks and the volume is hedged high, this could have a detrimental effect on your delivered price. Likewise, if the market price drops very low, you can achieve the best available price under this option.

What kind of organization is this strategy designed for?

This is a high-risk strategy under Options. There is no cap level or protection from the market. This is an option for those looking to optimize price after the point of delivery.

Please note that the above strategy has not been used for NHG in the current contract.