

Procurement Summary – Company X. (Electricity).

Date: 4th February 2015 - Electricity

SmartPower was asked by Company X to assist the management team in procuring energy for the upcoming year 2015.

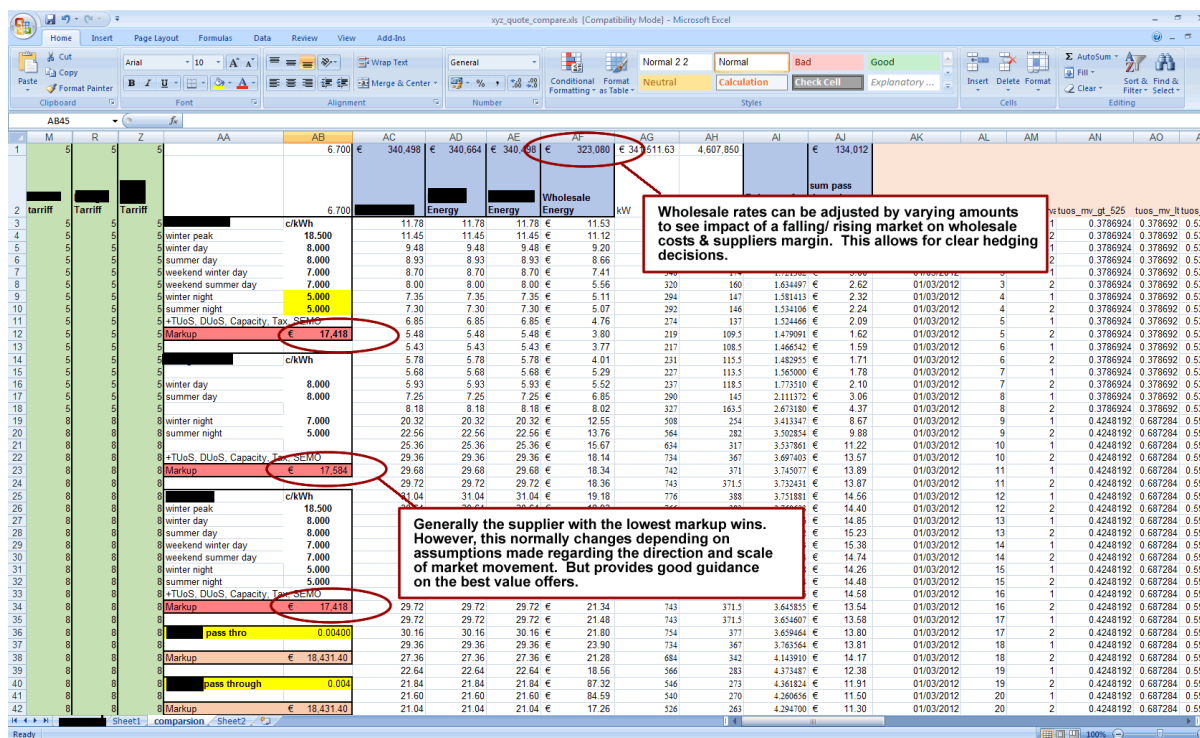
This report summarises the offers received from vendors.

Recommendation: Prices are attractive right now so we recommend using the fixed rate tariff from Supplier 1. In comparison this is a better energy only rate than last year (2014) by a differential of €12,375 This was primarily driven by the fall in gas prices but note the PSO level was raised in October which obscures the savings somewhat.

The nearest competitor offer was €5746 more expensive.

Electricity Procurement

Each quotation was compared using client ½ hourly meter data to historical wholesale costs. This allows for very clear and simple mark-up analysis.



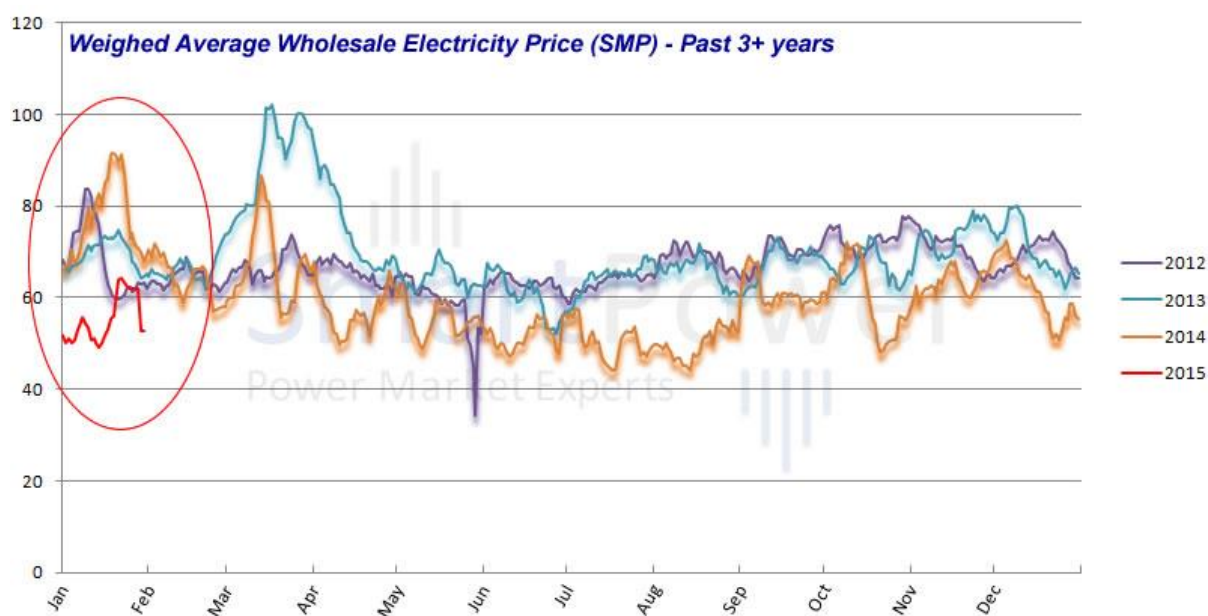
Wholesale rates can be adjusted by varying amounts to see impact of a falling/ rising market on wholesale costs & suppliers margin. This allows for clear hedging decisions.

Generally the supplier with the lowest markup wins. However, this normally changes depending on assumptions made regarding the direction and scale of market movement. But provides good guidance on the best value offers.

The prices relate to the wholesale electricity market between the 01/01/2014 and 31/12/2014. In effect, if last year's wholesale rates are duplicated in the coming year, then these are the mark-ups

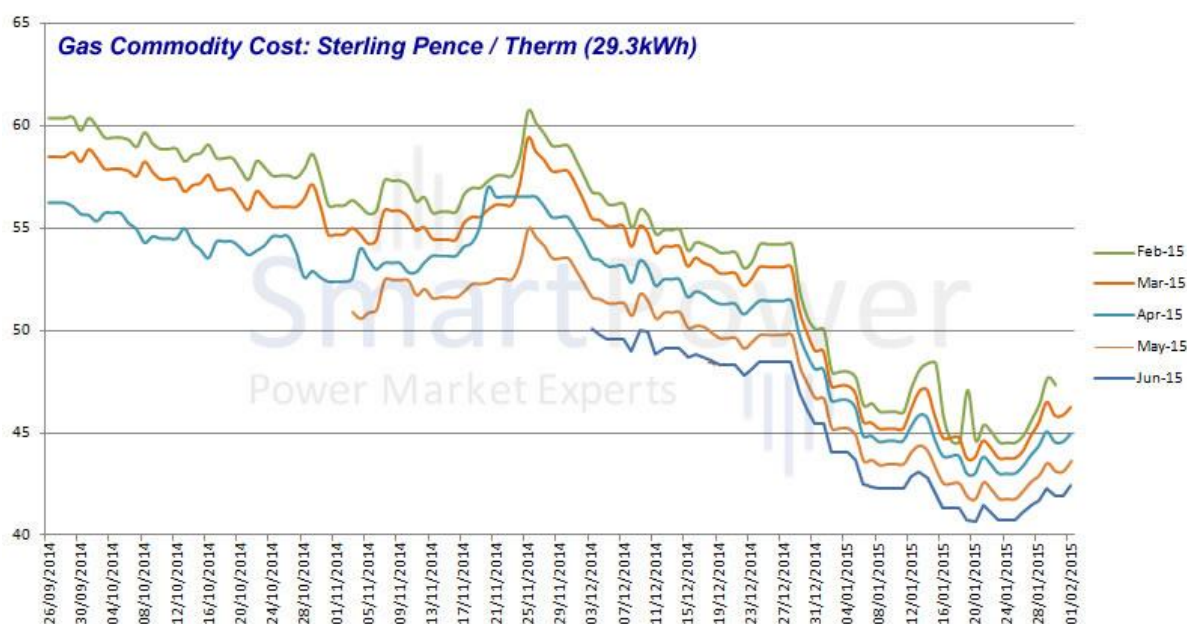
that each supplier would make. In reality the wholesale market is different every year, but this methodology gives a fair and objective method of comparing costs.

Gas / electricity costs are closely correlated, and at the moment the gas market is very low and consequently wholesale electricity rates have also fallen. If this trend continues then the fixed rate market will offer better value over the coming year. Note in the graph below (red line circled) how close we are to the support level of 4p/kWh (ie 4p sterling per kilowatt hour).



In the short term, the risks to gas prices (which would have a knock on effect to electricity prices) going back up are the following;

1. Colder weather than expected heading into Feb March period.
2. Unexpected maintenance required on gas network. (Unscheduled Norwegian production shutdowns did cause a spike in prices recently).
3. Political events e.g. Iraq / Eastern Ukraine; Russia resurfacing.



By way of background a number of different types contracts are available in the Irish Market, for example;

1. Floating tariff
2. Standard Time of Day (SToD)
3. Standard Time of Day index inked to gas prices

Floating tariff

This tariff uses the published wholesale market price and passes this cost to the customer with a fixed kWh mark-up. The supplier is not exposed to any market risks and offers a competitive rate.

Advantages: offers best value in a falling gas market. Customers with discretionary load can reschedule to take advantage of the lower cost periods.

Disadvantages: Shocks to the gas market can cause short term prices to spike and there is no option to forward purchase in order to lock in prices.

Standard Time of Day (SToD) contracts

The supplier normally defines a number of different periods, typically

1. Winter peak
2. Winter day
3. Summer day
4. Weekend day
5. Winter night
6. Summer night

Depending on the gas market pertaining at the time of quote and the desirability of the customer, the SToD tariff can come in at a lower price than the floating tariff. The supplier will hedge gas to at the quoted level to cover the contract.

Advantages: No price risk to the customer from market shocks.

Disadvantages: No upside for customer if markets fall further.

This is the type of tariff we are recommending in this instance.

Standard Time of Day index inked to gas prices

Similar to the SToD tariff except that there is a formula to adjust the electricity price depending on the gas price.

Advantages: Allows customers to potentially lower electricity costs by locking in at a particular gas price.

Disadvantages: If hedging not performed correctly then customer is exposed to any upward price shocks.

(Not used in this case as we feel gas prices are close to the floor).

Supplier Tariff Summary

MV MIC> 500		Units	Energy Costs
tariff	c/kWh		
	8.450	10,067	€ 851
	7.290	55,144	€ 4,020
	6.590	153,986	€ 10,148
day	8.440	38,313	€ 3,234
day	8.440	73,353	€ 6,191
	4.630	442,348	€ 20,481
	4.630	1,143,182	€ 52,929
capacity, Tax, SEMO			
EM	€ 5,184	1,916,391	€ 97,853
	c/kWh		
	13.070	10,067	€ 1,316
	7.130	55,144	€ 3,932
	6.640	153,986	€ 10,225
day	8.500	38,313	€ 3,257
day	6.920	73,353	€ 5,076
	4.720	442,348	€ 20,879
	4.441	1,143,182	€ 50,769
capacity, Tax, SEMO			
	€ 902	1,916,391	€ 95,452
EM	€ 3,686		
	c/kWh		
	7.474	147,019	€ 10,988
	6.852	183,843	€ 12,597
	5.201	581,342	€ 30,236
	5.010	1,004,188	€ 50,310
capacity, Tax, SEMO			
EM	€ 11,462	1,916,391	€ 104,130
	c/kWh		
	16.139	10,067	€ 1,625
	6.584	55,144	€ 3,631
	6.305	153,986	€ 9,709
day	6.584	38,313	€ 2,523
day	6.305	73,353	€ 4,625
	4.248	442,348	€ 18,791
	4.348	1,143,182	€ 49,706
capacity, Tax, SEMO			
EM	-€ 2,061	1,916,391	€ 90,608
h	0.003		€ 565.05
comparsion to SEM	€ 5,749.17	1,916,391	€ 98,418