



Connecting UK business customers
with the wholesale energy market

PRODUCTS AND SERVICES

Flexible Trading

Energy plays an increasingly integral part in business life, making it ever more important for any business to maximise its returns from the investment it makes in this field. This is especially true for a business that has developed the capacity to generate its own electricity and export any surplus into the UK network.

With the steady erosion of the historic additional benefits associated with power supplied to the network - such as Transmission Network (TRIAD) & Balancing System (BSUoS) Use of System - it is vital that the maximum value is realised from any electricity generated for export.

EnDCo's flexible trading Power Purchase Agreement (PPA) allows an optimal mixture of strategic and tactical contracts to be placed in accordance with each individual customer's circumstances. The longer-term strategic trades can secure the required level of budgetary certainty to meet project, business or funding criteria, whilst short-term tactical trading handles the vagaries and increasing opportunities that the real world presents to its customers on an immediate and daily basis.

As an independent licensed electricity company providing direct and transparent access to the UK wholesale electricity markets, EnDCo is ideally placed to offer a flexible trading PPA - and, because it does not add any margin to the electricity it trades, all of the benefits derived from this approach are retained by its customers.

Flexible Traded Route to Market

EnDCo operates on a truly flexible basis whereby its customers can make electricity sales directly to (or purchases from) the wholesale market for any tradeable period (annual, seasonal, etc, down to individual half-hourly traded periods when required). These trades can be contracted from a year or two in advance of physical delivery of the power, right the way through to day-ahead or even within the day of delivery.

EnDCo differs from other PPA providers as it enables its customers to buy and sell their power requirement directly via the wholesale market at actual market prices - rather than the normal practice wherein it only the individual PPA provider's

view of market prices that is available to the customer. In addition, EnDCo also passes through to its customers 100% of any and all revenue benefits associated with the power exported into the UK network.

Customer Focussed Trading

EnDCo does not trade for its own position (or "book" as it's known), and as such its customers can be confident that any trading undertaken on their behalf is carried out purely to meet the requirements of that customer - rather than to satisfy some wider trading portfolio objectives. In this way, EnDCo undertakes all trading activity with the sole aim of maximising the strategic, tactical and financial benefits for each individual customer account.



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Degree of Customer Involvement

The objective of EnDCo's flexible trading PPA is to produce a strategy within which market intelligence is combined with the customer's operational, project or funding criteria, appetite for risk, & any other relevant factors, to deliver the optimal mix of budgetary certainty and opportunity for revenue enhancement. For example, a suitable strategy might be to fix 30% of the available export volume on a season-ahead trade, 30% month-ahead, 20% week-ahead, with the remainder being traded day-ahead, intra-day or even simply taking the UK System Price.

Historically, this approach has involved placing the

minimum requirement of trades on longer-term contracts and focussing the remainder over the shorter term (week-ahead or less, also referred to as the 'near curve'). EnDCo then monitors and adjusts these contracted positions in response to the customer's operational performance in conjunction with market activity during the period of physical power delivery.

Experience has shown that, over any extended period, the near curve has consistently delivered higher returns for a customer's own generation of power than trading further ahead of physical delivery – See Figs 1 & 2.

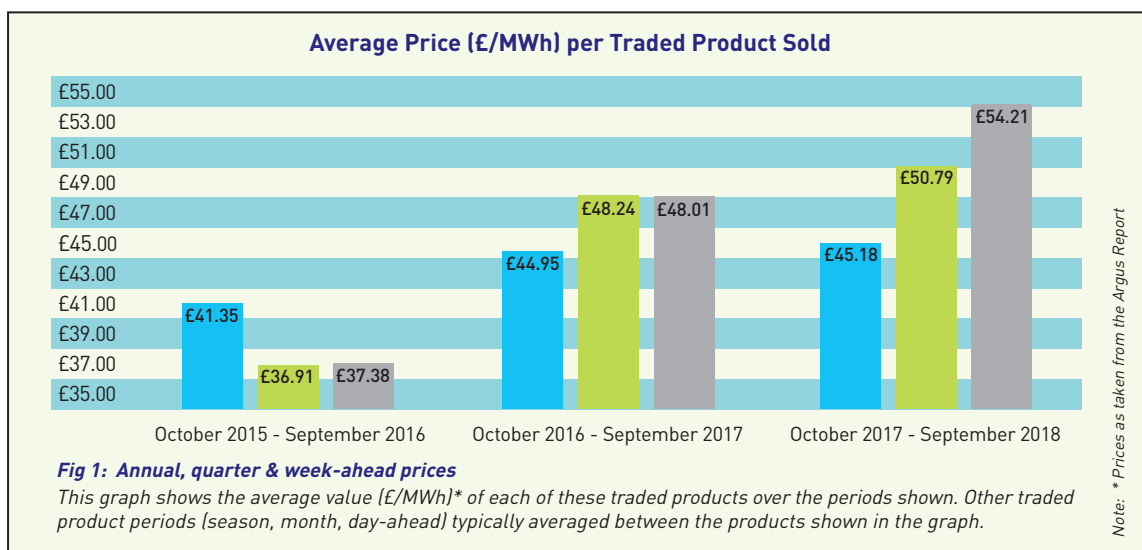


Fig 2: Worked example

To place the pricing data shown in Fig 1 into some context, if a 5MW baseload generator was to simply have sold its power via one annual trade, four quarterly trades or 52 weekly ones, the energy revenue realised under each product per year would have been as shown below;

Period	Annual	Quarter	Week
October 2015 - September 2016	£1,811,130.00	£1,616,533.54	£1,637,081.25
October 2016 - September 2017	£1,968,594.00	£2,113,068.00	£2,103,024.00
October 2017 - September 2018	£1,978,908.00	£2,224,428.00	£2,374,362.00
Total	£5,758,632.00	£5,954,029.00	£6,114,467.25

The data clearly demonstrates how a near-curve, flexible-trading strategy is key to delivering maximum revenues, as even though during this period (and with the benefit of hindsight) one year in isolation could have been best placed on an annual trade, when taken as a whole the week-ahead prices were the better option across the entire three-year period by more than 6%.



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This reality can in large part be explained by the insignificant levels of 'price risk discount' applied to power contracts placed for immediate (within a week) physical delivery, when compared with the much higher levels of market discount applied to prices available for power to be delivered months or years in the future – a factor commensurate with the extra security associated with long-term fixed prices. It is the classic "risk vs reward" scenario, or budgetary certainty vs enhanced revenue in this situation.

Although it may appear that higher percentages of trades placed via the near curve provide the greater risk (when combined with EnDCo's tactical trading capabilities this is not the case), analysis shows that the risk is minimal and the potential upside is considerable.

Another benefit of this approach is that customers can take advantage of market price fluctuations and can, at any time, change the strategy and the mix of trade durations if it is sensible to do so – they are not fully locked into a price that they fixed on a given day at some point many months ago because agility is key in the modern electricity marketplace.

Since 2004, when EnDCo first offered its flexible PPA into the UK market, its customers operating generation assets have seen revenues, on average over the period, over 10% higher than those delivered using traditional longer-term fixed trades.

Key benefits:

- EnDCo pre-agrees a set of trading criteria that are 'customer specific' with regards to the mix of contracts, their size, duration, price objectives, etc.
- EnDCo does not trade for its own 'book' or position, and as such its customers can be confident that the trading activity will always have the single objective of securing the most advantageous position for the customer – not EnDCo.
- EnDCo's customers can choose the level of involvement in day-to-day trading – from utilising the trading desk to action their own trading decisions, to a more remote approach where predefined trading criteria are actioned by EnDCo on their behalf.
- EnDCo enacts trades to meet the forecast strategic requirements of each individual customer and, where necessary, adjusts these on a tactical basis to meet changes in forecast or to deal with unplanned events – operational or commercial in origin.
- EnDCo brings its extensive expertise and capabilities in managing any short-term variation in a forecast position that arises from the customer's own power generation activity, through its ability to trade on behalf of individual customers on an intra-day, day-ahead or week-ahead basis.

EnDCo is an independent licensed electricity supplier providing direct and transparent access to the wholesale electricity markets both for business energy consumers and generators. It has a track record of delivering measurable benefits to a wide range of companies in the industrial and commercial sectors.