

CASE STUDY

CUSTOMER

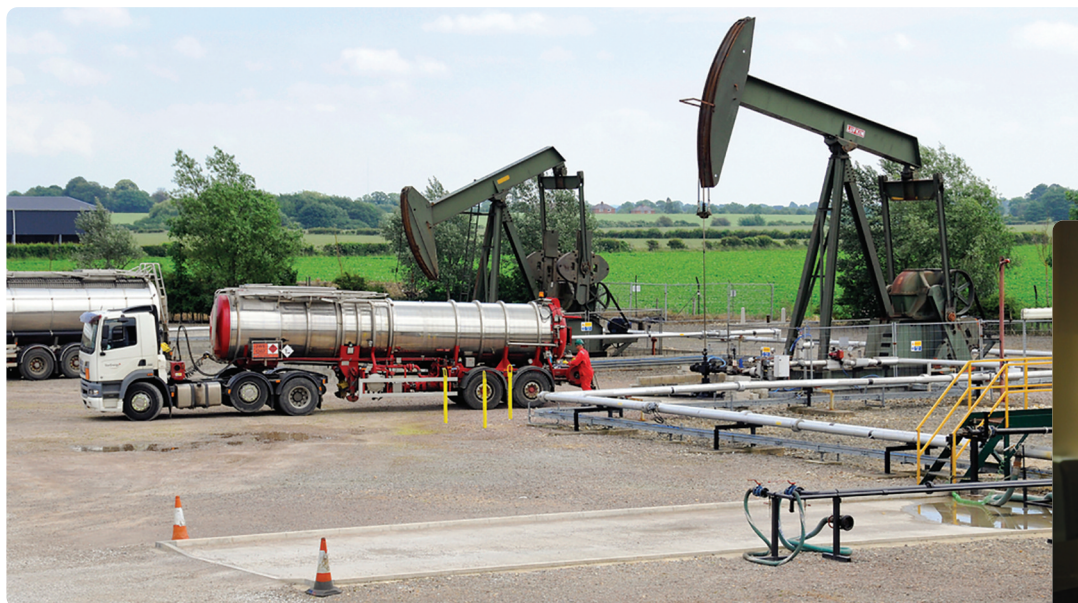
IGas Energy

SECTOR

IGas Energy is a leading British oil and gas explorer and developer, producing c.1m barrels of oil and gas equivalent every year from its sites across the country.



**Connecting UK
business customers
with the wholesale
energy market**



Offsetting – helping IGas Energy squeeze the retail market price spread

For companies with onsite power generation, either at a single site or across multiple locations, a strategy for 'offsetting' any surplus generated power against electricity consumption needed at other geographically dispersed locations can be a very attractive option.

This is because many businesses are becoming acutely aware of the 'retail market price spread', i.e. the difference in price of the electricity that they have to import against the price they can secure for any excess energy they can export to the grid, a variation which can be as much as £10 per MWh in certain circumstances.

Julie Barlow, managing director of Strategic Implementation at IGas Energy, explained how EnDCo's 'offset supply' service helped address this issue just when the business was becoming increasingly frustrated at the large price gap between the electricity it sold compared to the energy it was buying. "The difference was becoming substantial. Energy supply is considered a key contract for the business, so when EnDCo came to us and talked to us about 'offset supply' we saw it as a neat solution to our needs, effectively putting the 'selling and buying' of energy into one simple supply contract."

"What's more," Barlow added, "it was good to be able to talk to someone who could explain supply contracts in layman's terms. They have simplified the whole operation, making it much easier for us to administer, providing easy-to-understand billing which is much more accurate, helping us reduce costs and deliver real economic savings for the business. Also, it's a very flexible service, EnDCo advise us what we need to do contractually if a new consuming site comes into the contract or if our generating capacity changes."

IGas Energy is a leading British oil and gas explorer and developer, producing c.1m barrels of oil and gas equivalent every year from its sites across the country. It holds a portfolio of production and exploration assets focused on four regions: the North West of England, the East Midlands, the Weald Basin in Southern England, and in the northern coastal area of the Inner Moray Firth in Scotland.

The company currently has four large on-site energy plants, generating approximately 17,000 MWh of power by using the gas by-products from its onshore oil extraction in an environment-friendly way, turning methane gas into energy which would otherwise have been 'vented or flamed' in the drilling process

Continued on page 2



**Julie Barlow, managing
director of Strategic
Implementation at
IGas Energy states:**

*"it was good to be able
to talk to someone who
could explain supply
contracts in layman's
terms."*

**Business customers wanting to know more about EnDCo's Offset Supply service should call
+44 (0)1245 254910 or email info@endco.co.uk**

CASE STUDY

and gone to waste. However, only 7,000 MWh of this power is actually needed at these four sites, with the remainder (10,000 MWh) available for export and hence for supply to its other sites. IGas Energy's electricity demand across its remaining half-hourly metered premises is approximately 9,000 MWh, hence, IGas Energy self-supplies 100% of its half-hourly metered portfolio consumption per annum, with a small excess available for sale into the wholesale market.

This energy-efficient approach to the processing of a by-product means that IGas Energy is saving the equivalent of approximately 14,000 tonnes of coal or 10% of a super tanker cargo of oil being burnt each year in conventional large-scale power stations.

EnDCo Contract Summary

Whilst the total volume of power exported is slightly in excess of that needed to meet the consumption needs of the importing sites, IGas Energy had historically placed separate 'stand alone' electricity contracts for the sale of its exported surplus power, and the purchase of any electricity needed (including that for the normally exporting sites at times of planned or reactive generation asset maintenance).

However in 2014, with energy costs playing an increasingly vital role, IGas Energy attracted by EnDCo's 'heat solution', created a single power-trading portfolio. It wanted to select an electricity supplier as a partner that would facilitate them "offsetting" the surplus generated power against the electricity consumption needed at their other geographically dispersed premises.

As an independent licensed electricity supplier providing direct and transparent access to the wholesale electricity markets, for both consumers and generators, EnDCo was ideally placed to offer this service because it does not add a margin to the power it trades and, as a result, IGas Energy would retain all of the benefits of offsetting.

How does it work?

EnDCo entered into an agreement with IGas Energy to allow all of its consumption to be offset by its own-generation. The residual generation after consumption needs are met can then be sold into the wholesale market or conversely, if there is insufficient generation to meet consumption for any particular period, then additional power is purchased to make up the shortfall.

EnDCo sell or buy any known (forecast) surplus/shortfall at the prevailing market prices with any non forecast requirements being taken at the published System Prices.

Provision by IGas Energy of accurate forecasts on a week-ahead basis is a critical and integral part of the agreed service package. This weekly contract position is then adjusted as necessary during the course of the week, on both a Day Ahead and Intra Day basis, as a result of forecast adjustments from the site staff responding to real-time operational issues, constraints or opportunities.

The key benefits delivered by EnDCo through this arrangement are:

- Offsetting helps protect IGas Energy from volatility in wholesale market prices in respect of the offset import/export volumes by virtue of the fact that they are effectively contracting to supply themselves.
- Offsetting ensures that IGas Energy retains within its own business the value of the *retail market price spread* that would traditionally be retained by the chosen electricity supplier and off taker. In comparison to the historic approach of operating traditional "stand alone" import and export contracts, the EnDCo facilitated approach has delivered 10% savings in its overall energy bill.
- EnDCo brings its extensive expertise and capabilities in managing any imbalance position that arises from surplus generated power (or any shortfall), through its willingness to trade on behalf of individual customers on an Intra Day, Day or Week-ahead basis.
- 24/7 forecast adjustments can be accepted and actioned by EnDCo trading desk – ensuring imbalance costs are further minimised.

In addition, EnDCo provides IGas Energy with daily and weekly reports which detail the value of the net energy portfolio, broken down on a half hourly basis.

As a specialist provider of route to market supplier services for operators of embedded generation assets, EnDCo is able to secure revenues or cost savings for its customers that would otherwise be lost.



Connecting UK business customers with the wholesale energy market

Andy Rice, managing director at EnDCo, says:

"With our Offset Supply service, customers with an energy plant in Scotland and an energy-consuming operation in Cornwall don't need an extension lead connecting to the two locations in order to realise real savings in energy costs."

Business customers wanting to know more about EnDCo's Offset Supply service should call +44 (0)1245 254910 or email info@endco.co.uk

EnDCo
Hurst House
131-133 New London Road
Chelmsford, Essex CM2 0QT
www.endco.co.uk