

ELECTRICITY PROCUREMENT

In a volatile market where electricity prices and market risk have increased significantly, it is critical to have an electricity procurement strategy that has been specifically developed for your business to mitigate risks and reduce costs.

Edge has extensive experience in developing and implementing tailored procurement strategies and facilitating Request for Proposal (RFP) processes. Analysing, understanding, and advising customers on the wholesale electricity market is at the core of our business.

Our commercial procurement team has worked across retail account management and wholesale electricity contracts and are highly experienced at maximising customer trading margins. Let our team be your team. Access procurement specialists who have knowledge, expertise and integrity to get your energy portfolio working for you.

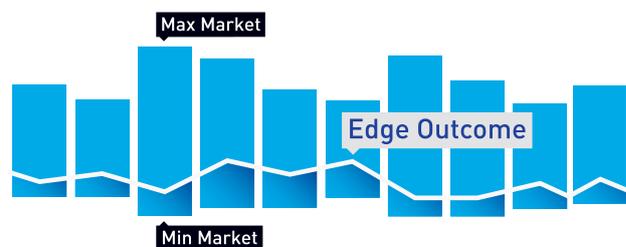
We develop and nurture relationships with participants in our industry, and work constructively with counterparties to deliver superior outcomes for our clients.

You can be assured of a seamless RFP process when using Edge as your procurement specialist. We will;

- Ensure an optimal procurement strategy
- Develop accurate and specific tender documentation
- Conduct pre-qualification interviews with retailers
- Expertly analyse and evaluate all responses
- Review and provide recommendations on commercial terms.

We use our proven negotiating ability to ensure all offers reflect each retailer's optimal terms before providing our final recommendation.

Take a look at the following options that may be suitable for you as part of an overall procurement strategy.



From strategic portfolio review and analysis, through to an in-depth and robust tender and negotiation process, Edge will maximise your opportunity to drive energy costs down.

Fixed Price, Fixed Term

The traditional way of purchasing electricity is to agree rates for peak/off-peak usage with a retailer for a defined term. The term would typically be for a year or two, but could be as short as a quarter or as long as five years.

This contract type is easy to manage and provides a known energy rate for the duration of the contract. All price uncertainty is worn by the retailer.

Spot Price Exposure

This pricing arrangement involves taking on exposure to the electricity spot price which varies for each 30 minute period. Spot exposure may involve part or whole load exposure to spot prices. Generally, spot price exposure is recommended for loads that can respond to pricing changes, e.g., a site that can curtail usage during high prices and operate during low prices. Curtailment may rely on a site having storage and excess production capacity which means it won't adversely impact core business activities.

Spot price exposure comes with a considerable increase in risk, and variability in cash flow.

For consumers who cannot hedge spot prices physically, we would only recommend incorporating spot exposure if done so in conjunction with a component of fixed pricing with a component of fixed pricing or other financial instruments such as Caps.

Hedging

All customer connection points settle in the market against the spot price. This spot price exposure can be hedged using relatively standard electricity derivative contracts.

Any mismatch between hedged quantities and actual load shape will result in pool exposure either through over-hedging (contracts greater than load in which case exposure is too low to spot prices) or under-hedging (contracts less than load in which case exposure is too high to spot prices).

Progressive Purchasing

Progressively agreeing fixed prices (as opposed to one price) is a method of diversifying timing (market) risk. This type of purchasing involves locking in a price for part of the electricity load in advance in incremental stages. It provides the benefit of improved price risk management and the flexibility to lock in prices quickly.

Generally, the minimum energy block that retailers will allow progressive purchasing is 1 MW, though some retailers have started to offer this product in lower increments.

Progressive purchasing is most commonly conducted on a quarterly or calendar year basis.

With a large portion of our portfolio currently under progressive procurement strategies in some form, Edge invests significantly in market information and analysis. Our team work to understand and pre-empt wholesale market movements every day. This includes both spot and derivatives markets.

What Approach Works for You?

There are many combinations of the above options that are possible, all of which will have differing risk profiles and price premiums. We can implement a strategy that includes one or more of these options that has been tailored to your energy portfolio. We develop these strategies by conducting a thorough analysis of your demand, usage and business drivers.

Connect with Edge

Edge has the industry based networks and proven track record to reduce your costs, mitigate your risks and make the most of your energy opportunities.

Call 07 3232 1115 to see how our procurement specialists can help you.



Your Team. Your Edge.
Electricity. Gas. Water.

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