

# CUC presents Energy Procurement Solutions

**OIL** \$135 A BARREL  
**ELECTRICITY** 100% INCREASE SINCE 2005  
**GAS** 100% INCREASE SINCE 2005

## Energy Procurement

The problems which the energy market has faced are twofold, increasing volatility i.e. the price changes very rapidly and an escalation in price which has led to 100% increase in energy rates in the last 3 years.

Energy prices are driven by many factors, including the prices of oil and gas, temperature, world supply and demand of different energy sources and world politics. None of these are issues that we can control.

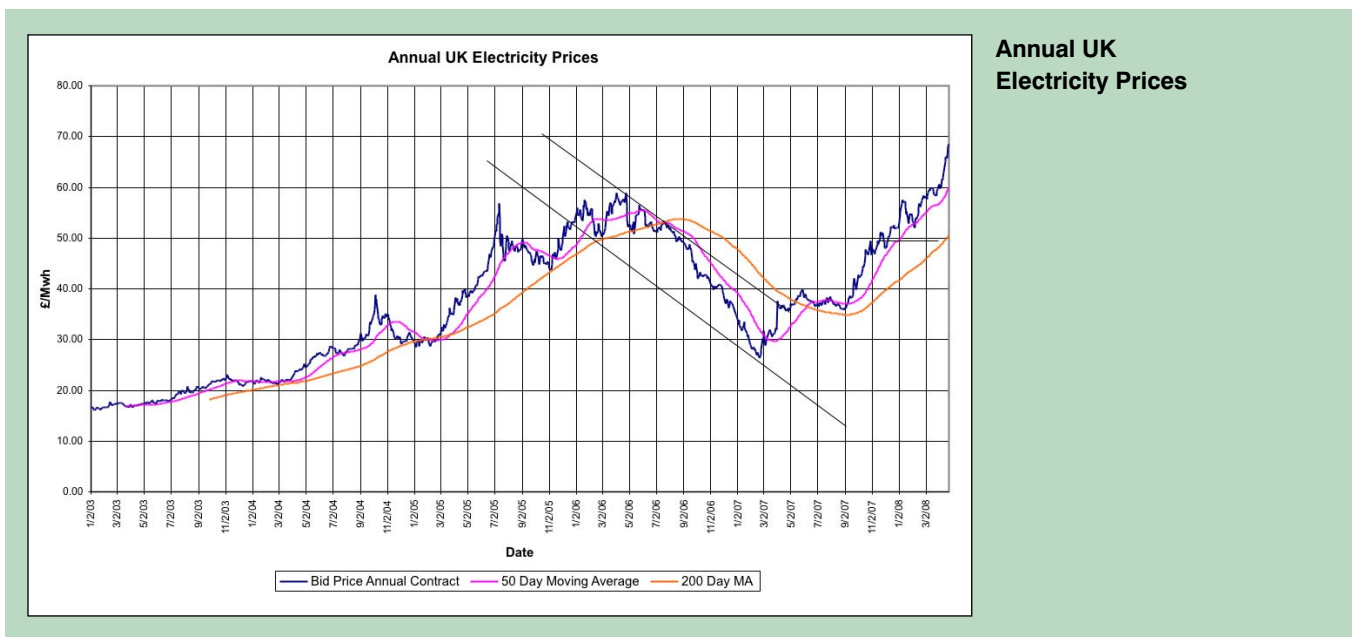
### Changes In The Energy Market

The biggest change has been the development of the Futures Market in both electricity and gas. In essence, a client can now make a deal for electricity for a contract which may not start for up to 2 years into the future. For example, if the price for a contract starting on 1st October 2009 is very cheap in June 2008, then you as a client can make a deal in June 2008 for that contract.

The second major change is that the term over which contracts run has altered. Historically, all contracts ran for 12, 24 and 36 months. We can now take short contracts for 1-3 months or half a year or for a whole year. The benefit here is that when the prices are high, we can take just short contracts in the expectation of a reduction in price and then secure the balance of the contract at lower rates.

### Wholesale Market Access

For the very biggest users, there is no problem in being able to access the wholesale markets and take advantage of the future contracts and of the short term contracts. However for smaller clients, who do not have enough volume on their own to participate in that market, then it is necessary for them to act together in order to have sufficient volume to enter the market place.



## CUC Solution: Managed Tracker Fund

CUC has undertaken a rigorous review of all products in the energy markets and we have decided now to offer the concept of a Managed Tracker Fund to all of our clients.

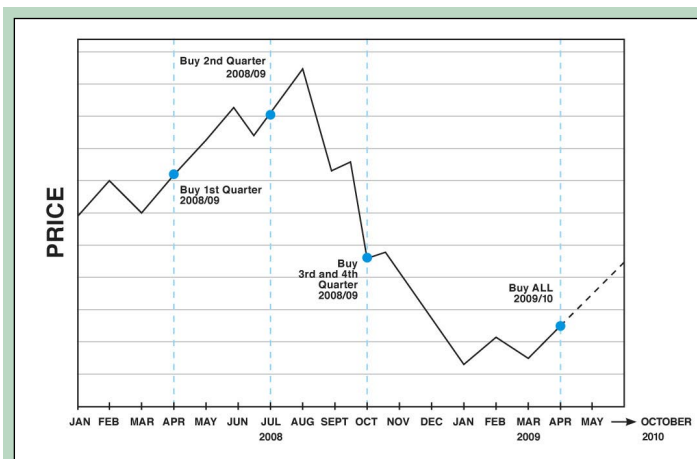
### Managed Tracker Fund: The Concept

1. CUC will pre-select a given supplier for a given market i.e. half hourly, non half hourly or gas. A 24 month agreement is set up with that supplier, however the prices that will be supplied within the agreement are not agreed at the outset. Clients commit, via CUC, to take energy for that period throughout that contract from that supplier.
2. The energy will be purchased in units of 1 month or a quarter of supply at a time when the price is high, avoiding the risk of taking all of the contract at the highest rate.
3. When the price is lower, we will then purchase the balance of the contract and secure it at a lower price.

### Managed Tracker Fund: In Practice

1. CUC sources the market for the right supplier.
2. Sufficient number of clients agree to act together to gain the minimum volume of between 30 and 50 million kWh, in order to create the Tracker Fund.
3. Each client contributes their volume to that Managed Tracker Fund and enters into an agreement guaranteeing that their volume will remain with The Managed Fund, whilst they have control of the supply.

4. CUC manages The Fund and is the decision maker. Each client gives that authority to CUC on their behalf.
5. CUC executes the purchase decisions in the client's name and reports back on each purchase decision, at the time of its execution.
6. The client is issued with individual prices for each site, based on each site's contribution to The Fund. There is no cross subsidisation either between client nor between sites of clients. Essentially you will end up with a price unique to each site based on the value of that site to The Fund.
7. A contract is then created between each individual client and the supplier to support the prices that have been agreed.
8. Each time the price changes and CUC carries out a purchasing decision, then full notification will be sent through to each client, of the actual prices that will apply for the supply period.
9. CUC will manage the billing going forward to ensure that it is accurate, especially at times when the price changes from one period to another.
10. CUC will also manage the site list with any additions or deletions from the contract.
11. CUC is paid a commission by the supplier, and it is the same regardless of which suppliers are selected.
12. E-newsletters will be sent to all participating clients advising movements in the markets and our purchasing strategy.



### Tracker Fund

## MANAGED TRACKER FUND »

CUC has undertaken a rigorous review of all products in the energy markets and we have decided now to offer the concept of a Managed Tracker Fund to all of our clients.

The managed Tracker Fund significantly reduces the risk of contracts being taken at high prices and offers the opportunity to secure rates when the markets have fallen.

## Tracker Fund Alternatives

1. CUC is still pleased to offer its Standard Procurement Service, in which we will do our very best to contract a 12, 24 or 36 month agreement for you at a point when the price is at a reasonable level, prior to the next contract start date that you have.
2. The principal problem that we have in negotiating each individual supply contract is that there is a vast amount of time consumed, and the price can move significantly between when we believe we want to go into the market and secure an agreement and when the agreement can actually be arranged.  
  
The graph below explains exactly how this slippage works.
3. The real issue now is not who is going to be the cheapest on the day by a factor of perhaps 5% or so; it is more about when you buy the contract, and that can make a difference of between 50 and 100% to the price.

### Tracker Funds Are Available For 2009 Start Dates

Tracker Funds are available for half hourly electricity, non half hourly electricity and gas. Please discuss joining one of the CUC Managed Tracker Funds with your Client Manager as soon as possible.

## Contact Us Today

Telephone: 01293 516521  
 Fax: 01293 512030  
 Mobile: 07770 861747

Email: [tracker@cuc.co.uk](mailto:tracker@cuc.co.uk)  
 Website: [www.cuc.co.uk](http://www.cuc.co.uk)

Tracker Funds are NOW available for 2009 start dates.

Please discuss joining one of the CUC Managed Tracker Funds with your Client Manager as soon as possible.

### IT'S SIMPLE TO JOIN A TRACKER FUND >>

1. Ask for our **Service Agreement**.
2. Request a **Letter of Authority**, and transpose it onto your own stationary.

Slippage

