

## Welcome to CUC's Energy Newsletter

### MARKET IN BRIEF

Since the last newsletter dated 24th September, we have seen some quite significant falls in all of the key drivers in the energy markets. In terms of the year on year comparison, although prices are still higher than they were a year ago, the gap is shrinking considerably and in terms of the movement of prices since the last newsletter, we have seen a fall in all five key markets.



### UK ENERGY RATES

	18/09/08	09/10/08
Electricity / MWh	£85	£72
Annual Gas / therm	84.5p	78p
Annual Brent Oil / barrel	\$94	\$85
Coal / tonne	\$162	\$138
Carbon Emissions / tonne	€24	€22

### SOME GOOD NEWS: ENERGY FUTURE PRICES

The prices for contracts in the future for electricity supply have been falling substantially during the last month. The box in the table to the right-hand side shows how the electricity prices for futures contracts has fallen during the course of the last month. One of the key reasons for these falls has been the impending recession and the economic turmoil which is perceived in virtually every part of the economy. In addition however, we have seen a fall in all of the key drivers in the electricity and gas markets and we have also seen the problems with supply capacity easing during the course of the last month. The effect has been a fairly significant reduction in prices. Annual contracts for October 2008 were expensive, as everybody knows and all businesses have endured significant increases in costs for the forthcoming supply period. An annual October 2008 contract, one month ago, cost £84.32 per month in the wholesale market. Today an annual October 2009 contract costs £69.25, showing a reduction of almost 20% for the year 2009/2010.

The strategy which we are adopting at CUC is to monitor all future annual contracts from April 2009 through to October 2011 and advise clients as to a point when we believe that we should be buying the next set of contracts and to possibly locking out those prices for two or even three years, as the market stabilises and prices soften. The benefit of this is clear in that firstly it will show a good financial saving over the 2008/2009 year but secondly gives price stability going forward for two or three years, which we believe is something that most clients would like to see.

If you would like to consider looking at locking out contracts already for April 2009 onwards, or for any start date in the future, then please contact your Client Manager immediately to discuss the situation.

The near term prices i.e. for November 2008 through until end March 2009, remain very high through the winter period, however they have softened by comparison to what they would have cost a month ago.

### Annual Electricity Wholesale Prices 2009–2011

Period	Price as at 10/09/09	Price as at 09/10/09
Oct 2008	£84.32	N/A
April 2009	£78.20	£71.40
Oct 2009	£76.72	£69.25
April 2010	£75.27	£67.87
Oct 2010	£75.60	£67.37
April 2011	£75.55	£67.35
Oct 2011	N/A	£67.60

### QUESTIONS? CONTACT US TODAY

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## CUC SPOTLIGHT

We have been very busy during the course of the last 2 months developing new analytical techniques for looking at the wholesale energy markets, and this newsletter reflects the first of our new reporting format, which gives us the ability to look much further into the future with regard to energy prices and give advice and forecasts with regard to the movement and direction of prices and to the attitude which clients should take towards holding or purchasing.

We hope very much that this development will be met with a good response from our clients. The purpose of providing the additional transparent information is to be able to develop individual procurement strategies for each client, taking into account each client's attitude to risk going forward.

Your Client Manager will be having these discussions with you during the course of the next few months, however, should you wish to move ahead

with any particular conversation with regard to utility purchasing, or would like to look at the possibility of locking contracts out going forward, already, then please do not hesitate to contact your Client Manager immediately.