

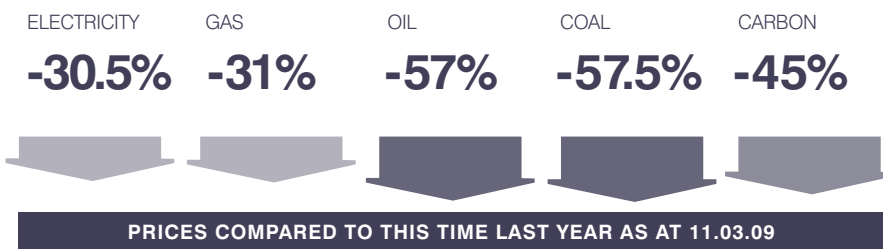
Welcome to CUC's Energy Newsletter

MARKET IN BRIEF

Across the board all of the main drivers on the electricity prices remain soft and electricity as at 11th March 2009 was running at 30% cheaper than it was this time last year. Gas is broadly in parallel with the electricity contract, with Oil, Coal and Carbon prices being even further reduced. The net affect over the last month has therefore been to see a further reduction in the principal electricity contract, down from £48.50 to £42.00 and the gas contract down from 54p/therm to 43p/therm.

Oil however, is holding steady at \$44.00 and has done throughout the current month, and although we have seen some reduction in Coal prices, we have actually seen a little uplift in the Carbon Emission price over the last year.

All told, although there has been a further softening in the market, the strategy of moving contracts through to 2011 is still, in our opinion, very viable.



UK ENERGY RATES		
	03/02/09	11/03/09
Electricity / MWh	£48.5	£42
Annual Gas / therm	54p	43p
Annual Brent Oil / barrel	\$44	\$44
Coal / tonne	\$74.5	\$58
Carbon Emissions /tonne	€11.25	€12

ELECTRICITY FUTURES MARKETS

The futures markets confirm a different tale. In the short term, the April 2009 contract and indeed the October contract, have seen further reasonable falls of around 10% during the course of last month. The contracts that go further out to 2011 confirm much smaller reductions of only between 2%-3%. This seems to indicate that the market is looking further into the future and seeing an upside risk in terms of price. Given the recessionary conditions that we are currently in, the short term contracts are cheaper.

Naturally the balance for ourselves is securing good short term contracts for Clients but also paying heed to what the prices are likely to be in 2, 3 and 4 years time, so as to ensure that any price stability and any reductions in price that can be secured now can be locked for reasonable periods of time.

Annual Electricity Wholesale Prices 2009–2012

Period	Price as at 04/02/09	Price as at 12/03/09	% Change
April 2009	£47.25	£40.62	-14.02%
Oct 2009	£48.17	£43.72	-9.23%
April 2010	£49.05	£46.60	-5.00%
Oct 2010	£50.20	£48.60	-3.19%
April 2011	£51.80	£50.30	-2.85%
Oct 2011	£53.10	£51.12	-3.72%

FOCUS ON CUC

This month we are looking at Client Credit Scores as being a significant issue, which is becoming more and more problematic as the recession begins to deepen.

At the moment, for the majority of our Clients, all electricity contracts require the supplier to undertake some form of credit analysis against the Client's financial soundness. Normally they will purchase some form of credit security or insurance, a contract is taken out, against the risk that the Client may go into insolvency during the period of the supply contract. What we have seen during the last month has been the suppliers increasingly demand that first of all that Direct Debit payments are mandatory and secondly, requiring Clients to pay security deposit before a contract starts, of as much as 20% of the contract value.

Clients in certain industries are finding it increasingly difficult to find suppliers to quote for them, particularly automotive, construction, plastics, leisure and banks. In these sectors we do actually have a situation where some clients are restricted to only one supplier, the incumbent supplier, because the risk is too high in the view of the credit insurers for credit insurance to be made available. In situations such as this, the supplier will refuse to quote. Where this becomes a problem across the market place then a Client can be left in the situation of only having one place to go i.e. the incumbent supplier.

Please therefore be aware that if we are in the process of renegotiating contracts for you, you will probably be required to take Direct Debit payment terms and you may well get asked to pay a security deposit to get hold of the best available terms.

Just one further word of warning, for those clients who have particularly small non half hourly electricity supplies, suppliers are showing less and less desire to take this kind of business on and choices are becoming somewhat restricted. We hope that as the Credit Insurers Market takes a more positive view of the electricity market during the coming months that we will see the non half hourly market begin to become more buoyant again.

QUESTIONS? CONTACT US TODAY

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