

IGFA energy workshop



# Kore Energy – Energy procurement & Risk Management

5 October 2022

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# WHO WE ARE AND WHAT WE DO



Market Leaders in  
Ireland energy  
procurement and risk  
management

Impartial advice:  
Fixed fees, no “shared  
savings”, no trading  
on own account

Negotiated first fully  
flexible electricity  
supply contracts in  
Ireland

Service providers to  
global leaders in I.T.,  
Pharma and Food  
Sectors

Delivered clients  
savings in excess of  
€750 million in past  
two years

Key focus: Adding  
value, delivering budget  
certainty & competitive  
energy costs

# KORE ENERGY SERVICES



**Energy Procurement**



**Risk Management**



**Carbon Management**



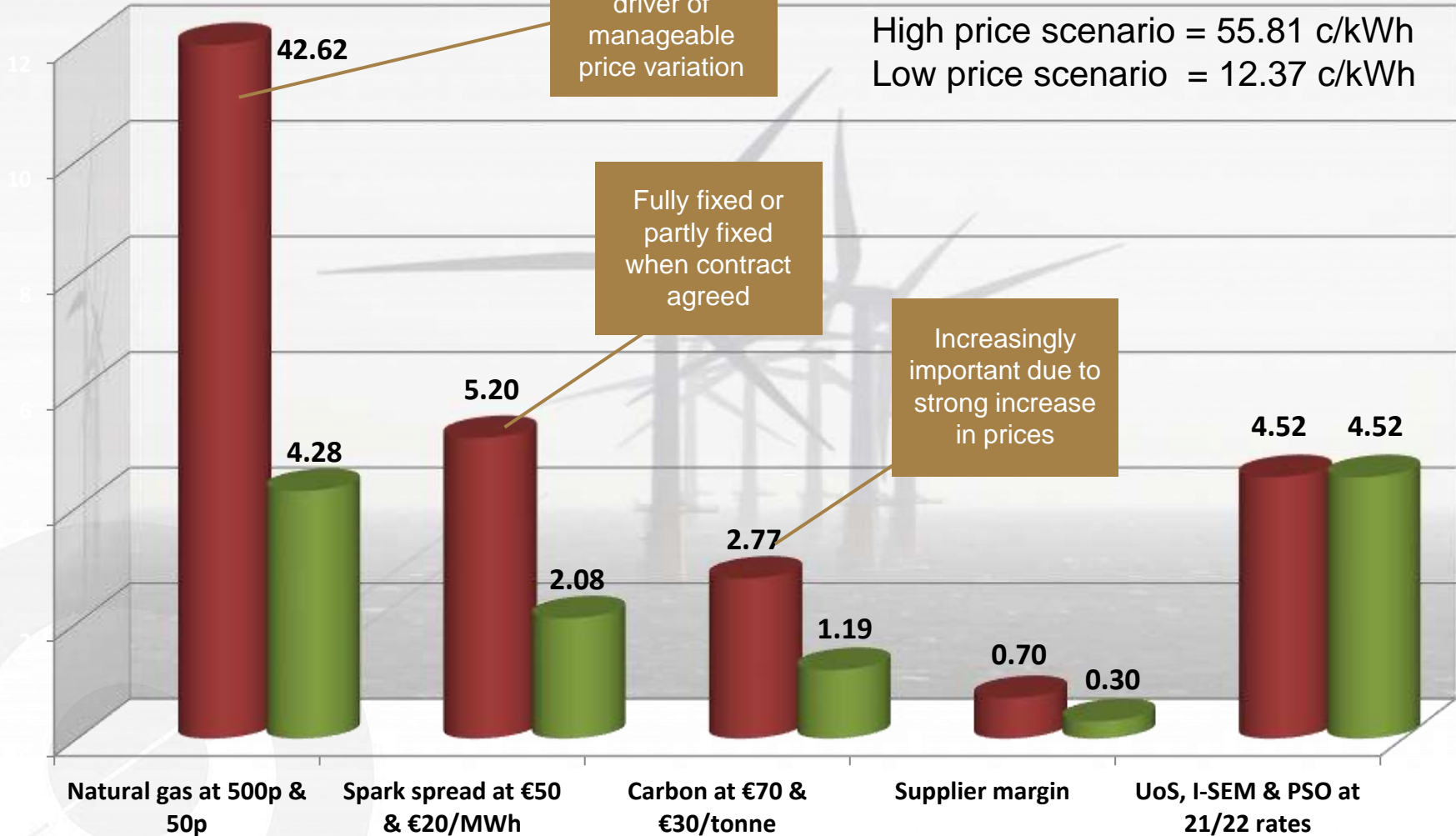
**Market Intelligence**



For lower energy costs and peace of mind

# Wholesale gas price is key driver for Irish electricity prices (MV site)

cent/kWh



# Energy contract options for large energy users

1: Fixed price

2: Indexed (PPT /  
DA gas)

3: Flexible / fix  
only time based

4: Flexible, market  
based, fix & unfix

Price certainty

Market based

Price certainty

Price certainty

Low management  
costs

Good in flat or  
falling market

Reduced risk of  
“buying high”

Good in rising and  
falling markets

Rigid: No market  
response

Tracks a rising  
market

Poor response to  
market change

Delivers  
competitive costs

Adverse impact on  
energy costs

Poor budget  
control

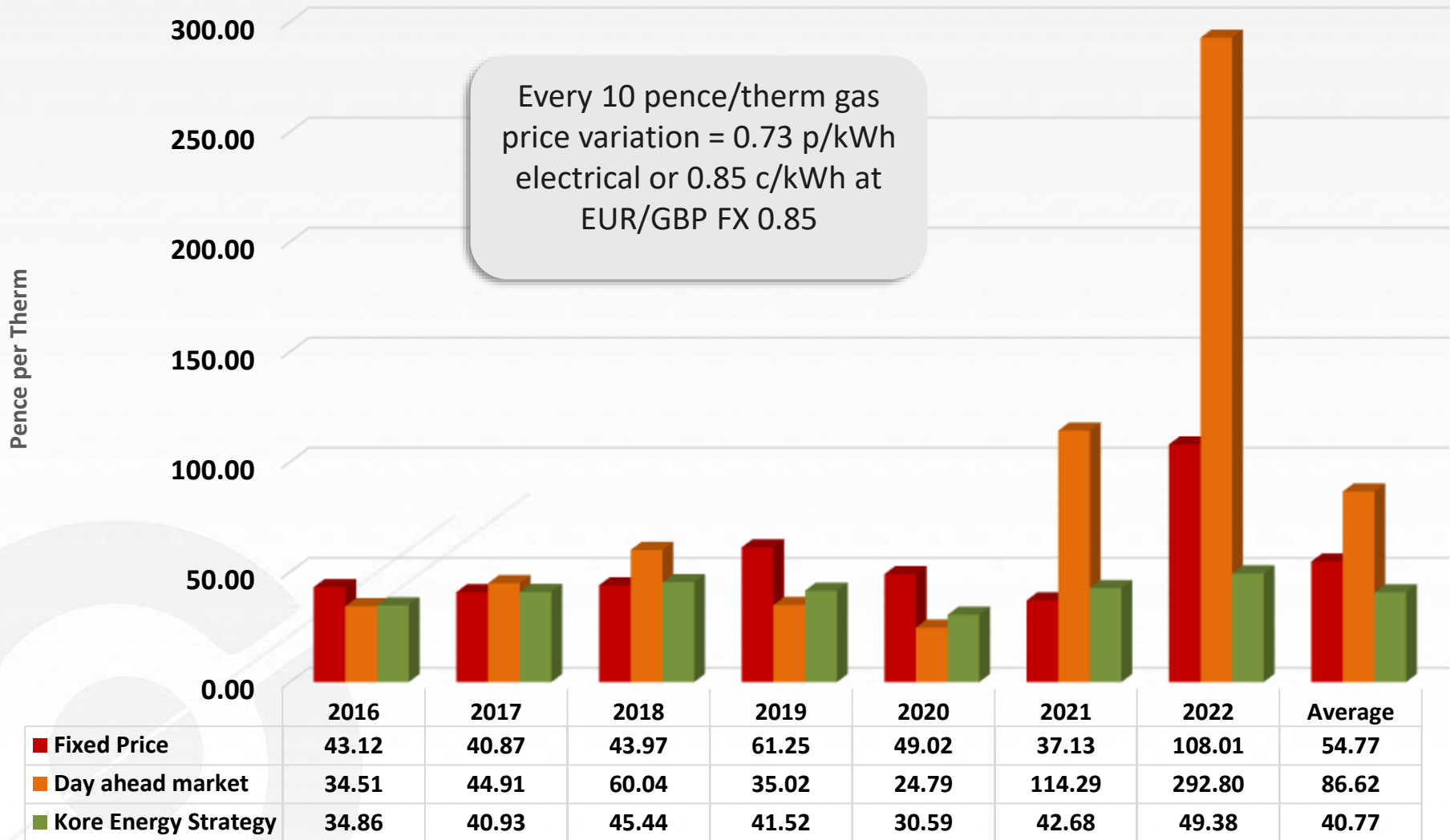
Higher  
management cost

More complex to  
manage

# Key electricity risk management issues for large energy users

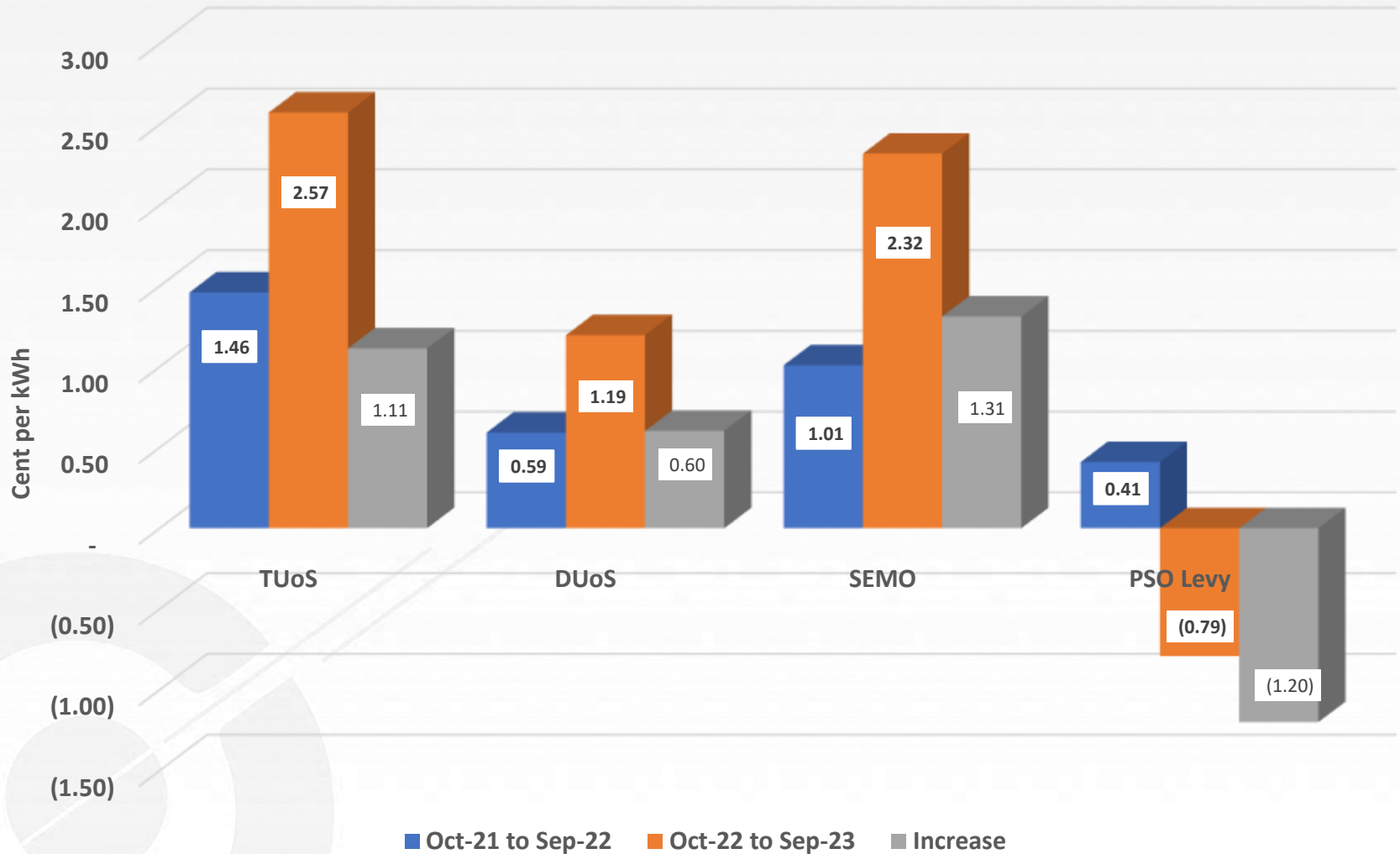


# Options 1 and 2: Fixed and indexed (day ahead) v Option 4, Kore Energy Strategy

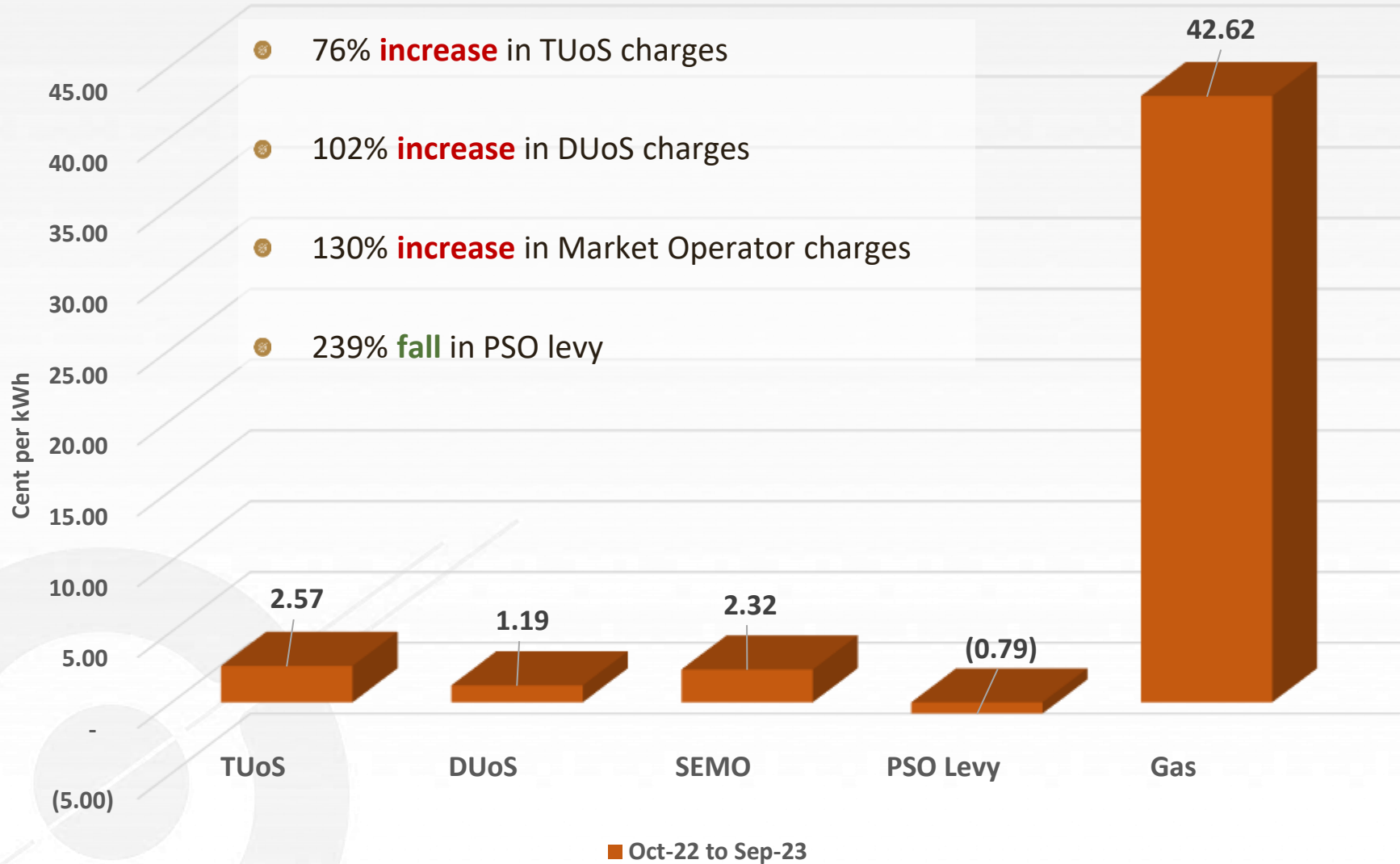




# Regulated Charges – MV consuming 10GWh



# Regulated electricity charges vs Gas price input costs cent per kWh



# Wholesale energy market review



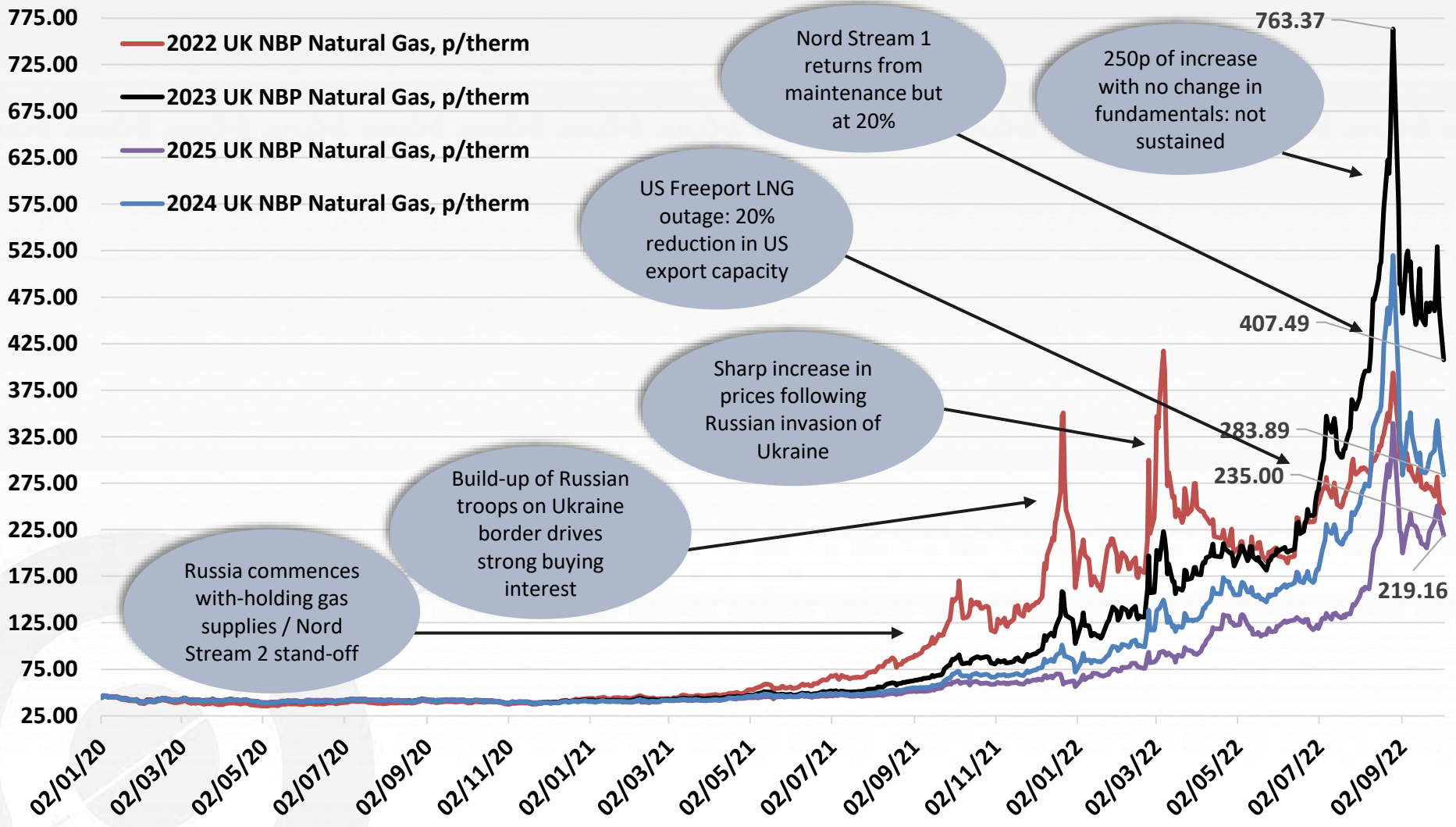
**UK gas market**

**Gas and oil correlations**

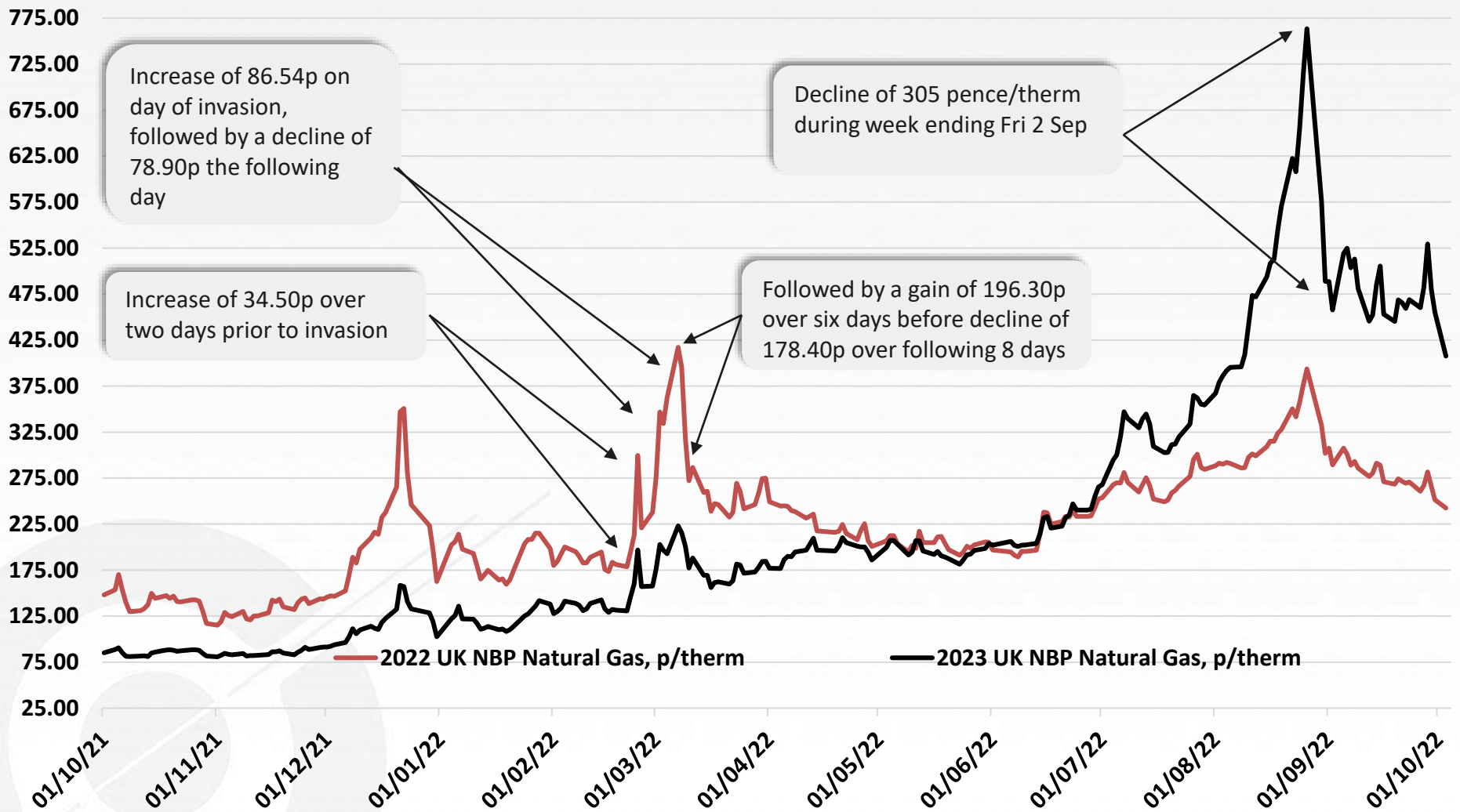
**UK and Ireland spark spreads**

**Carbon**

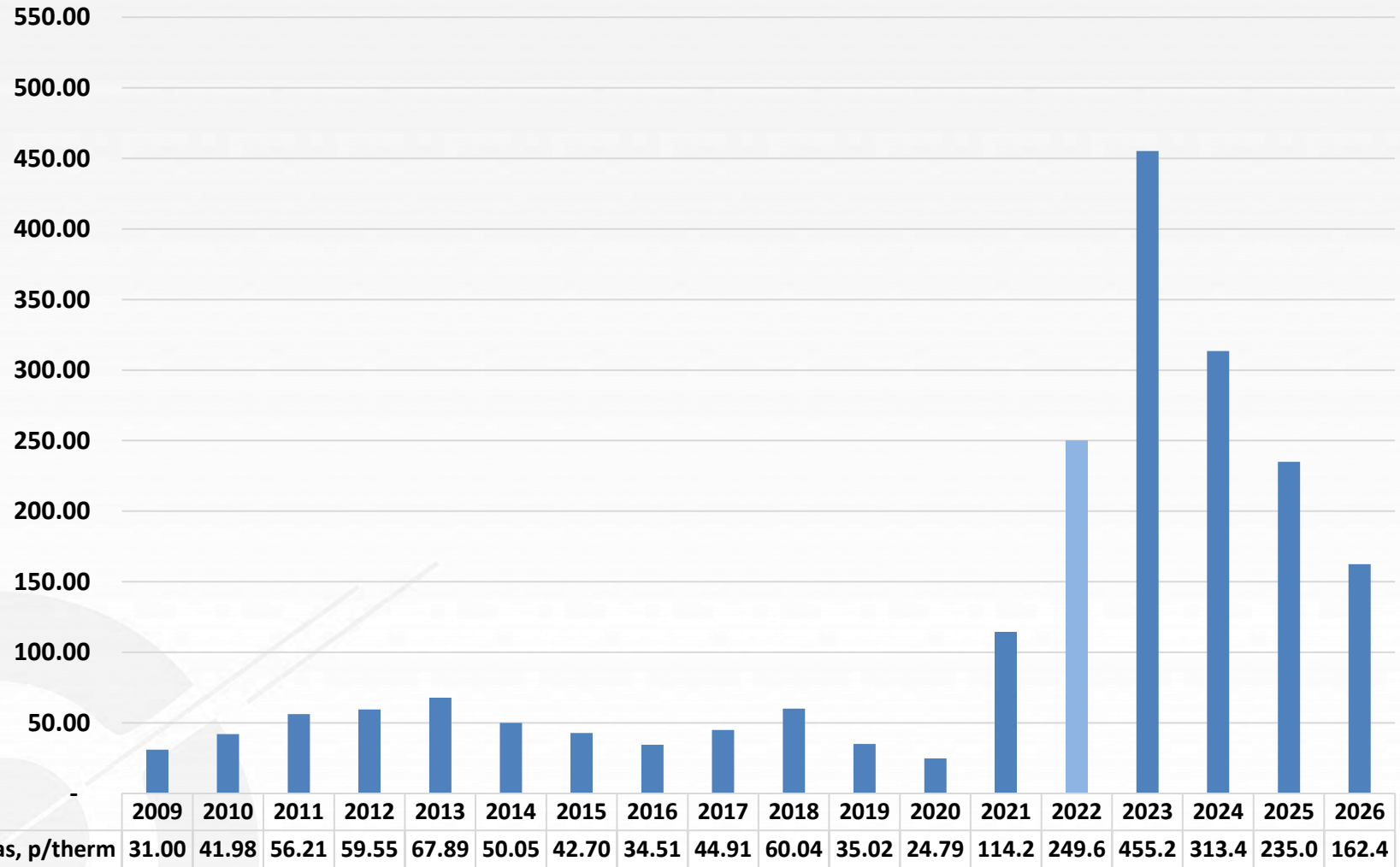
# UK NBP wholesale gas prices: record increases and record prices since 2021



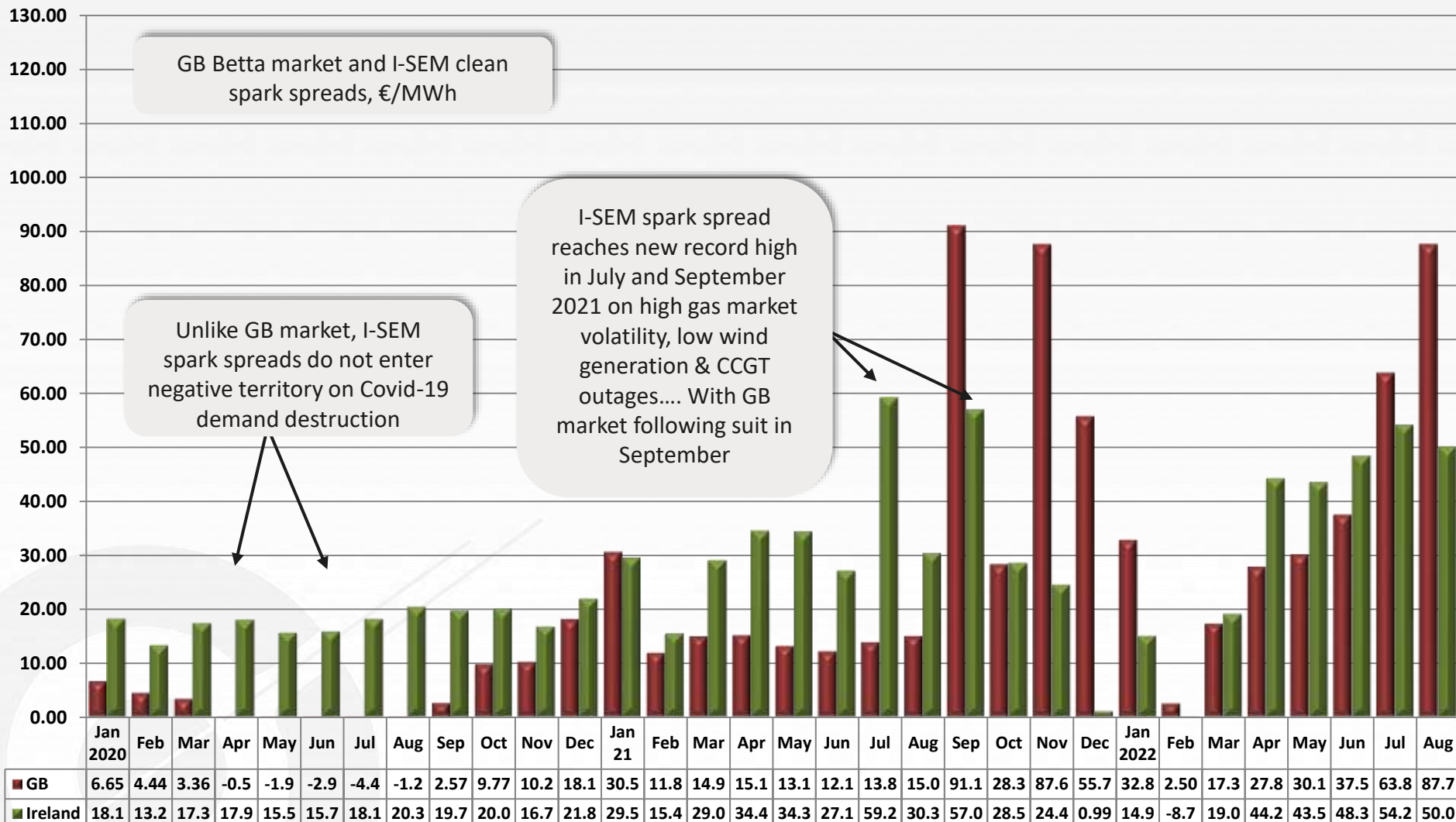
# 2022 and 2023 gas over the past twelve months.... And since the invasion



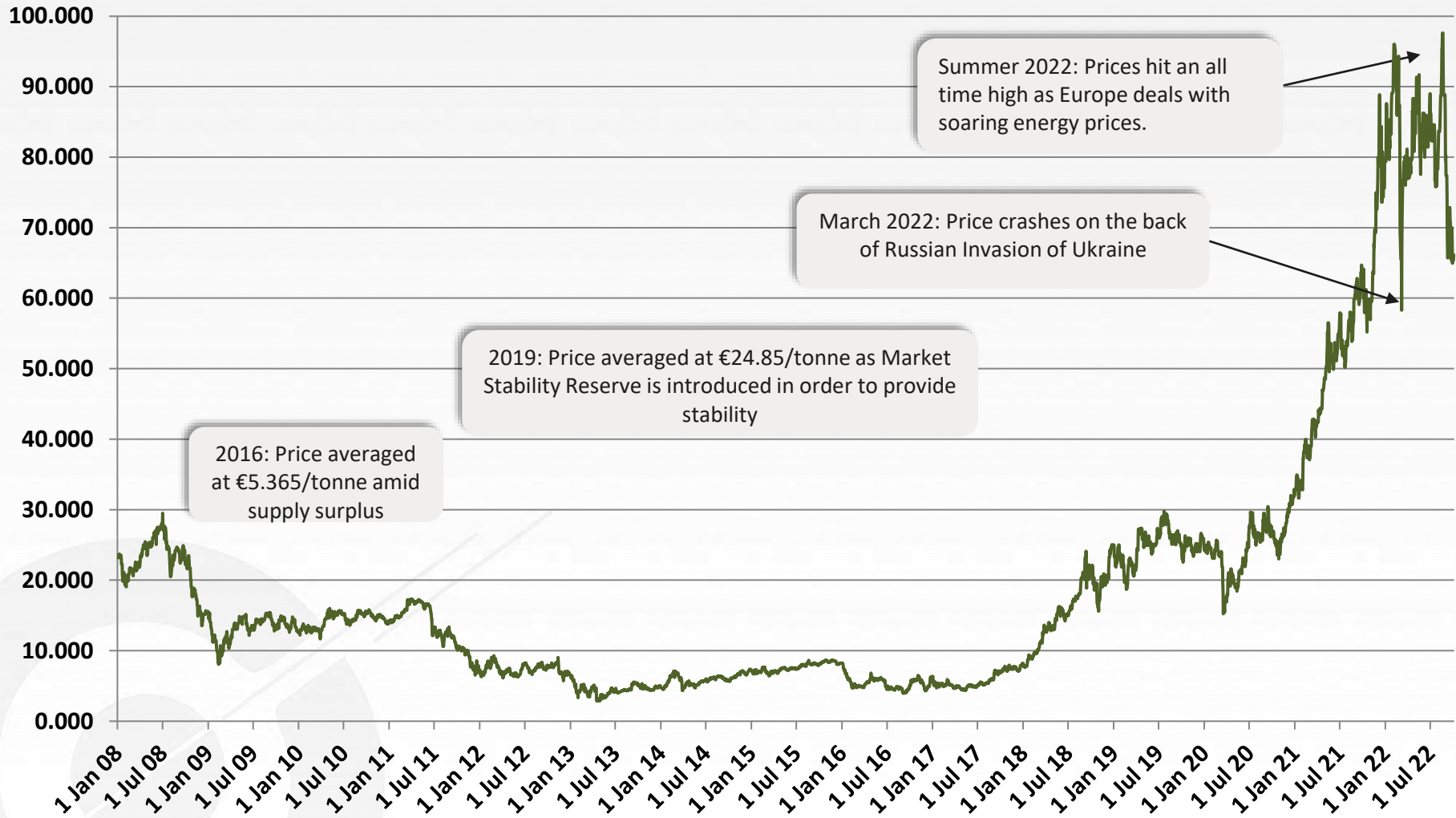
# Historic UK NBP natural pricing versus current & forward market: Annual pricing *(EOD 03 October)*



# Irish spark spread reaches new record high in July 2021 and again in September



# Carbon market remains strong through 2022, apart from post invasion dip





# Risk Management Strategy

**Budget certainty**

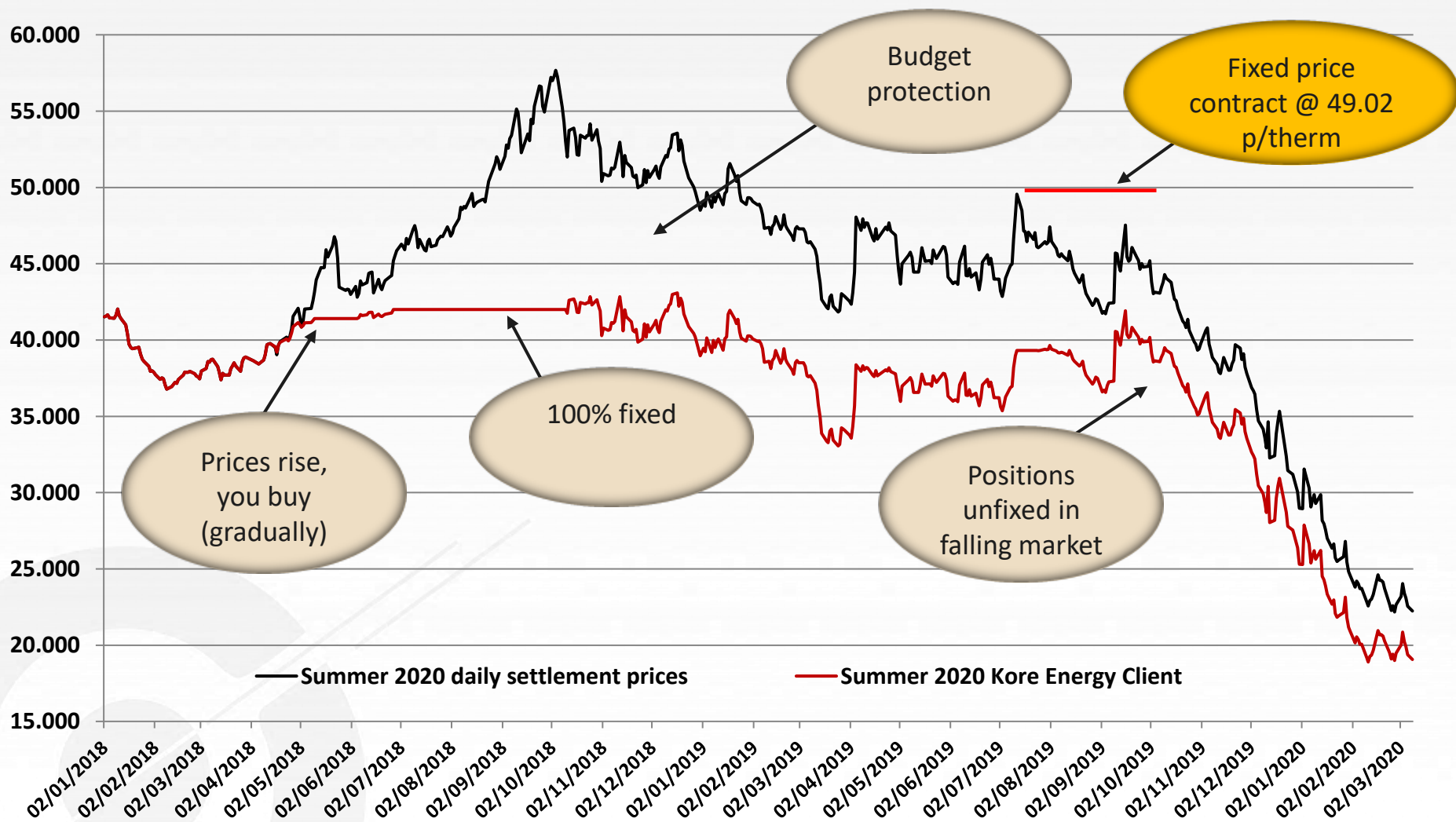
**Cost Competitiveness**

**Lower Energy Costs**

**And peace of mind**

STRATEGY

# Flexible Strategy: How does it work



# Default trade rules – High level overview

- Default purchase rule based on 5, 10 and 20 day movement, plus
  - movements versus rolling market lows
  - Within day movement
  - Market versus last traded price
- Default sell-back rules based on 5, 10 and 20 day movements, plus
  - Within day movement
  - Market versus last trade
- Default front month trade rules
  - Restriction on un-fixing below 50%
  - Minimum fixed position of 50% before expiry of futures contract
  - Minimum fixed position of 75% by third working day of delivery month
- Variation of 5, 10 and 20 day movement triggers relative to prevailing wholesale market prices
- Restriction on un-fixing during periods of high volatility

# Current recommended amendments to default trade rules

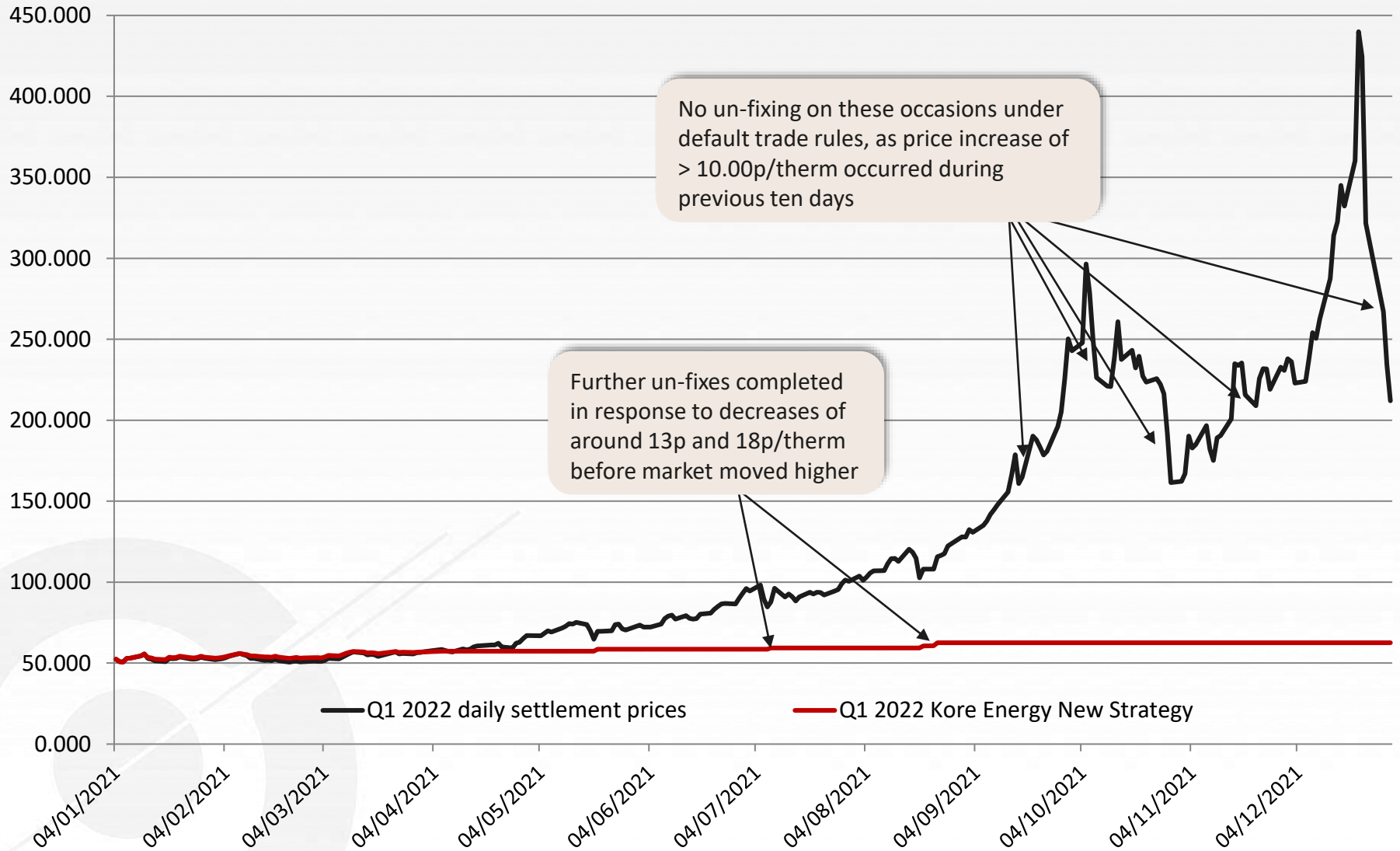
## Trigger points

- |   |                           |
|---|---------------------------|
| 1. Gas futures contracts below 80p/therm:   | Triggers change to 4.00p  |
| 2. Gas futures contracts 80 to 100p/therm:  | Triggers change to 5.00p  |
| 3. Gas futures contracts 100 to 150p/therm: | Triggers change to 6.00p  |
| 4. Gas futures contracts 150 to 250p/therm: | Triggers change to 10.00p |
| 5. Gas futures contracts above 250p/therm:  | Triggers change to 15.00p |

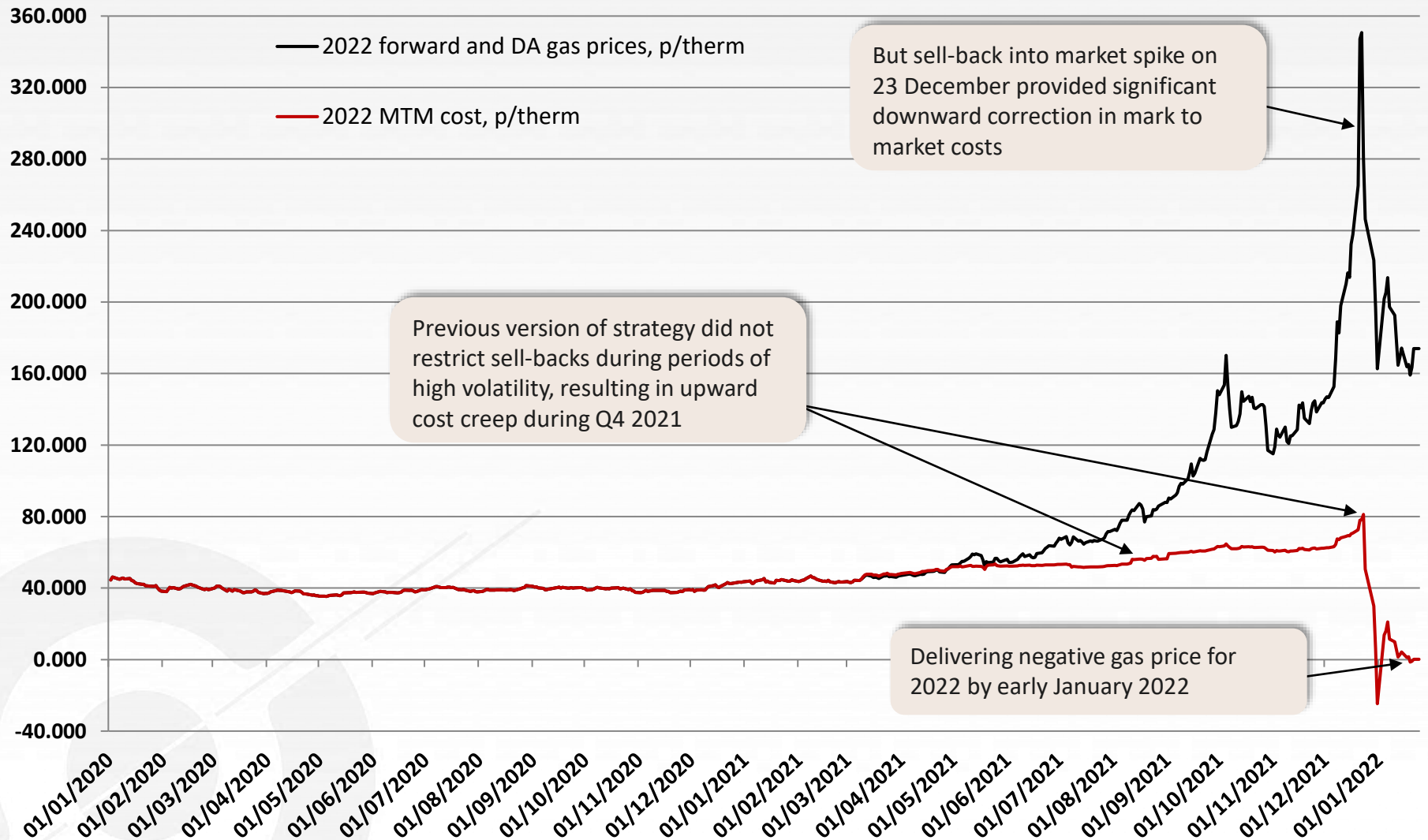
## Restrictions on un-fixing

- 1 No un-fixing of positions where the contract is more than 10% above the rolling 20 day low and any single day on day increase within the previous 10 days has exceeded:
  - 20p/therm for contracts priced at more than 200p/therm
  - 15p/therm for contracts priced at 150 to 200p/therm
  - 10p/therm for contracts priced at 100 to 150p/therm
- 2 Un-fix tranches reduced to 10% of a quarter or 25% of a month, where contracts are greater than 150p and first 25% tranche is being un-fixed

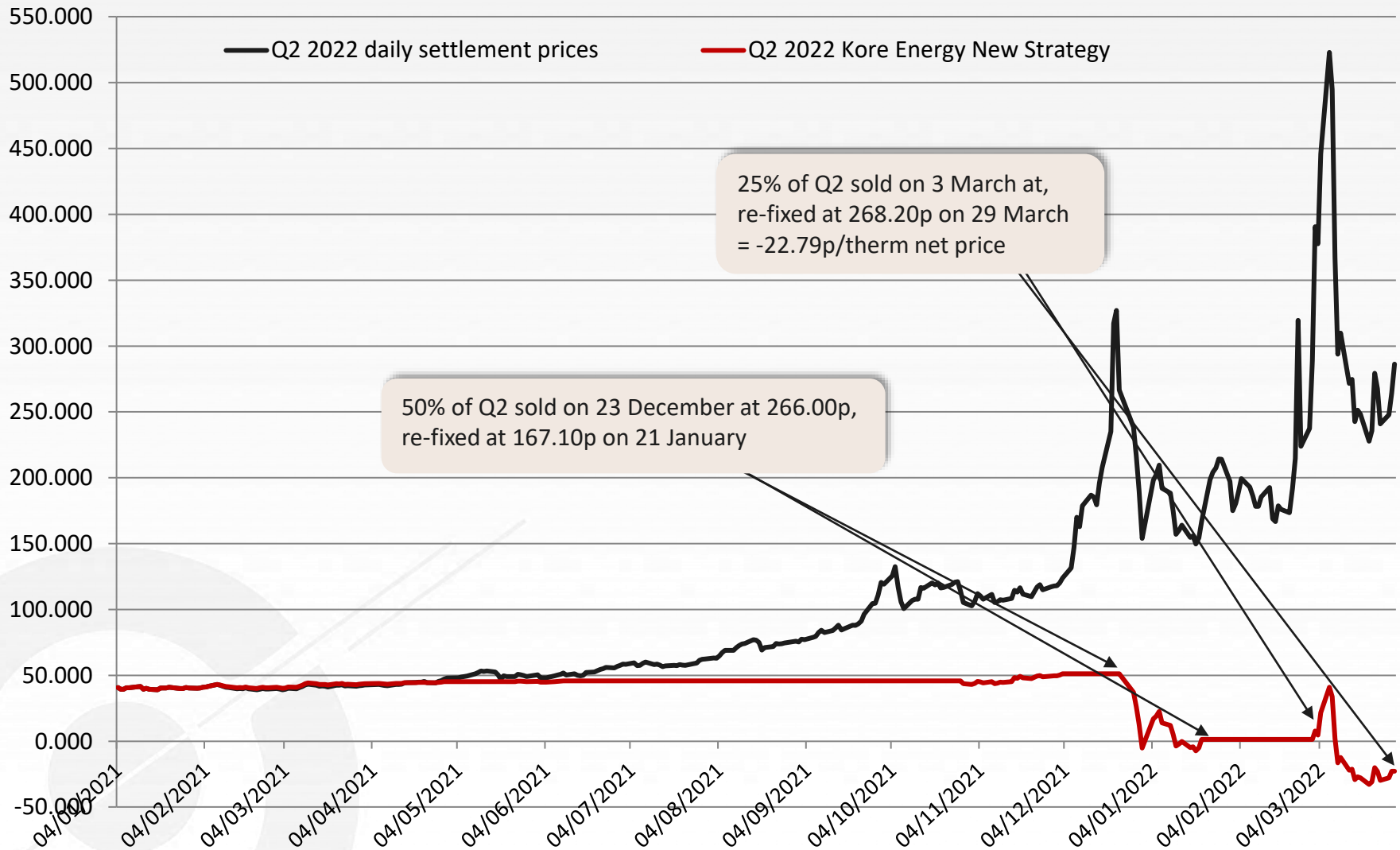
# Latest version of default trade rules deals better with volatility



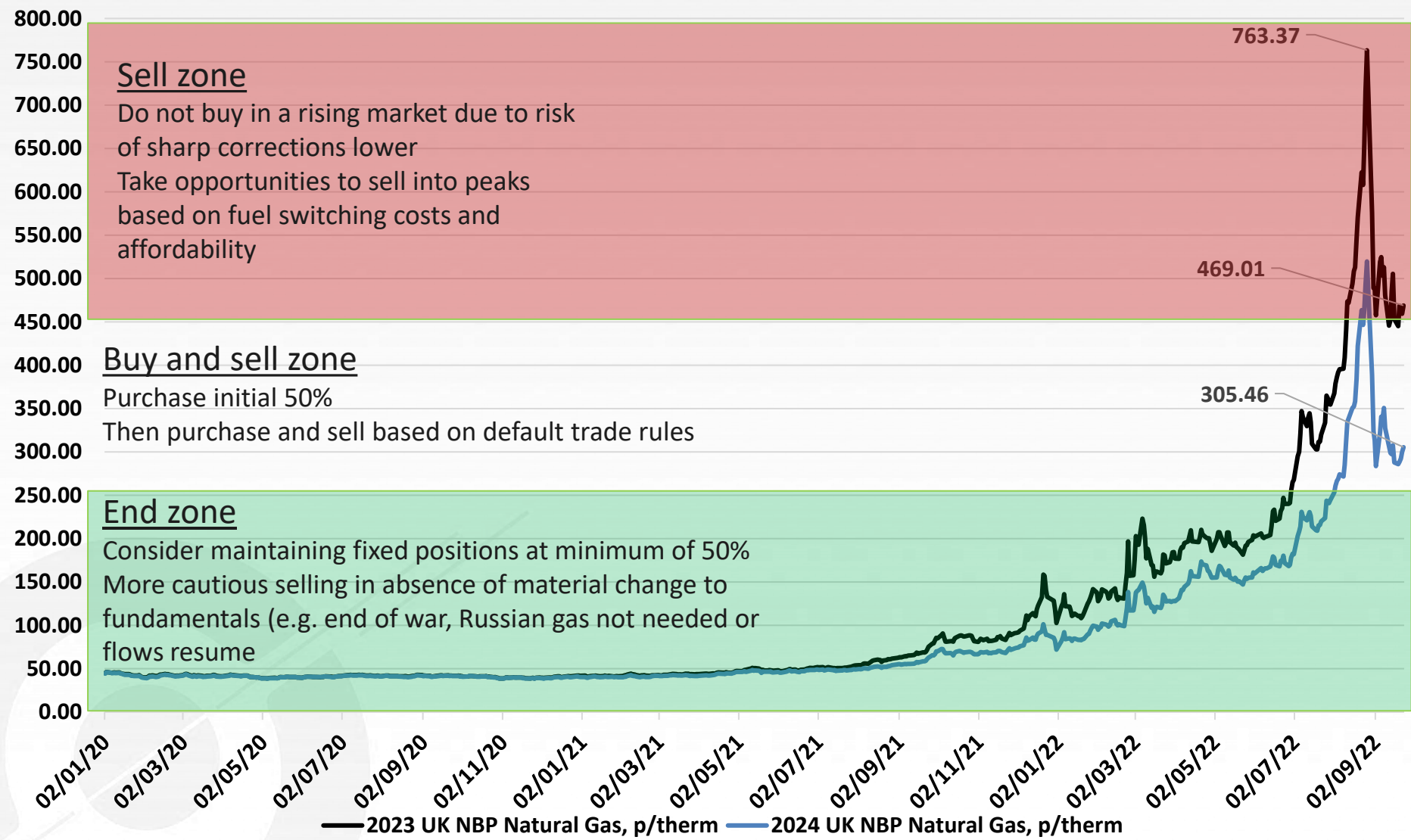
# Calendar year 2022, previous default trade rules plus sell-back completed 23 Dec 2021



# Quarter 2 2022, including non-standard sell-backs on 23 December and 3 March



# Recommended approach for 2023 and 2024 (EOD 23 September)





# Energy Crisis - Proposed Relief/Subsidy Schemes

- Temporary Business Energy Support Scheme – IRL Government Scheme
- Ukraine Enterprise Crisis Scheme – IRL Government Scheme
- EU led inframarginal levy – Proposed EU wide approach



# Not just “colour by numbers” .... Market intelligence is also key

**Monitoring and evaluating**

**Daily reporting, prices, supply & demand...**

**Price projections**

**Crude oil, power, LNG, coal, carbon**

**Changing market dynamics ... Energy Crisis**



# Thank You.



ENERGY  
PROCUREMENT



RISK  
MANAGEMENT



MARKET  
INTELLIGENCE



CARBON  
MANAGEMENT

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