

Reducing energy costs when prices are volatile

An essential guide for business energy buyers



We've Got You

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Executive summary

Buying energy when prices are volatile

This guide covers the **4 steps** a business can take to cut costs and reduce risks.



84% of consumers say a poor environmental record would cause them to stop buying from a brand¹.

Did you know... ?
Non-commodity costs make up more than 35% of your total electricity cost.

“Trident has significantly added to our bottom line. They are committed to delivering real value to our business and have become a truly trusted partner.”

Phil Hobson, Finance Director, KTS Wire

Introduction: today's energy market

Understand why energy market volatility is impacting your business

Buying energy for your business can be tricky at the best of times. Whatever other priorities you need to balance, managing energy risk, keeping costs down and reducing carbon are always important considerations.

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Concern #1: the
risk of rising energy
costs

Whilst energy markets have significantly calmed from the highs of the 2022 crisis, volatility remains a constant theme. Markets are still extremely sensitive, and a lack of liquidity on power markets is exacerbating this volatility, therefore, it's key for businesses to carefully manage the budget risk.

The pressure to cut carbon is also mounting, with policy makers targeting businesses in their push to meet net zero goals by 2050. Decarbonisation is something every one of us should get behind and makes great commercial sense too. For most businesses, however, immediate commercial concerns will need to be addressed before they can go on to make meaningful progress towards net zero. First among these is finding ways to reduce the risk of rising energy costs.

Why have energy prices fallen?

Over the past 18-months, gas and power prices have fallen significantly due to a combination of lower demand and strong supply. Two mild winters resulted in European gas storages ending winter at, or close to, record highs. This relieves refill pressure over the summer injection season.

Europe has made huge progress in its ability to import LNG, particularly via floating storage and regassification units (FSRUs). Europe imported record levels of LNG last year, with most LNG coming from the US. Drought conditions in the Panama Canal helped contribute to this as traffic through the canal was severely reduced. This meant many more spot cargos headed into Europe, rather than take the much longer route to Asia via the tip of South Africa. Over 60% of US LNG was exported to Europe in 2023.

Norwegian gas flows into Europe reached record levels and a strong French nuclear fleet also supported the healthy supply picture. Mild weather contributed to a 2% y-o-y drop in European gas demand for winter 2023-24, compared with already very low levels for the 2022-23 winter. Stronger nuclear renewable output in Asia has also curbed demand from some major LNG importers such as Japan and South Korea.

Why haven't prices fallen to pre-crisis levels?

The above factors are finely balanced. Should any one of these factors change, the picture could be very different for winter 2024 and beyond. The risks associated with this delicate balance are the main reason that prices haven't yet returned to pre-crisis levels. For example, if Europe experiences a hot summer or cooler winter, coupled with any supply side shocks from gas supply disruptions or nuclear output, we could see prices rally once again. This risk is reflected in the slight contango on seasonal contracts.

Furthermore, much of the LNG delivered into Europe this winter has been procured on the spot market. This is in stark contrast to the constancy of Russian piped gas pre-2022. Spot market conditions have favoured European destinations for the reasons mentioned above. Should global market fundamentals shift, e.g. Asian demand continues to increase or US LNG outages occur, Europe would be left exposed until they can secure more long-term LNG deals.

Main risks ahead:

- Geopolitical tensions
- Rising Asian gas demands
- End of Ukraine/Russian gas transit deal
- Weather scenarios



What should I do?

By rethinking purchasing strategies and taking a more holistic, objective-oriented approach to energy procurement and management, your business can turn today's energy challenges into tomorrow's opportunities. This guide outlines essential tips for buying energy while the market is volatile.

Discover how you can reduce the impact of energy market volatility on by:

- finding the right energy contract and embracing flexibility
- boosting your purchasing power to buy like a corporate
- looking beyond your current contract to take a joined up approach to energy
- staying on top of costs and planning for the future with an annual review

“Rethink purchasing strategies and take a more holistic, objective-oriented approach to energy procurement and management”



Finding the right energy contract

Now more than ever, it's vital for businesses to find the right energy contract. Unlike domestic consumers, businesses aren't protected by Ofgem's energy price cap. If your contract is ending, it's time to act; letting your supply roll over onto an expensive standard variable rate tariff could put a real strain on your budget.

Unfortunately, fixed contracts that offer a good deal are becoming harder to find, while flexible contracts could leave you exposed to more risk than you're happy with. Whatever you decide to do next, it's important to be well acquainted with all the options available; your usual choice may no longer be the right one.

It's time to take action!



Here are three essential things to consider:

01

Balancing short term needs with long term benefits

Price increases are at the forefront of everyone's minds right now – and naturally so. But it's important that securing a lower unit price for the immediate future isn't the only thing you consider.

Energy market volatility doesn't look likely to end any time soon, and there's much more that you can do to prepare your business for what's around the corner.

Mapping out your consumption profile over a three-year period and breaking down the different elements of your bill can help you to take better control of your budget. It may be possible to reduce or mitigate non-commodity charges and secure a longer-term agreement that delivers a better overall deal - rather than opting for a short-term deal that leaves you open to price hikes or the nasty surprise of hidden charges.

02

Managing non-commodity costs

You may be surprised to learn that the actual price of the energy (the commodity) you buy isn't the only cost you can mitigate with good contract choices. Many businesses fail to explore their options on non-commodity costs, missing potential annual savings of thousands of pounds. When you're looking for your next contract, be sure the following costs have been factored in, and that you've explored your options for reducing them; by negotiating fixed or pass through terms and by taking advantage of every policy incentive and subsidy available to your business:

Non-commodity costs overview:

For half-hourly meters:

- Meter Operator (MOP) charges
- Data Collector/ Data Aggregator (DC/DA) charges



Infrastructure costs:

- Transmission use of system (TUoS) charges
- Distribution use of system (DUoS) charges
- Balancing use of system (BUoS) charges



Green levies:

- Climate Change Levy (CCL)
- Capacity Market (CM) charges
- Renewables Obligation (RO) /Contracts for Difference (CfD) charges
- Feed in Tariff (FiT) charges



Good news: the FiT is soon to be replaced by the Smart Export Guarantee, which won't create a charge for consumers.

Once each of the above has been considered, it's also important to ensure your business is paying the right amount of VAT. This is currently charged to businesses at 20% of their total energy cost, unless you use less than the de minimis level, which is 33kWh of electricity and 145kWh of gas per day. Certain types of business, such as charities, non-profits and those whose premises include residential occupation or are defined as 'mixed use', are charged VAT at the reduced rate of 5%.

03

Taking a more flexible approach

As a small or medium sized business, it's likely that you will usually have opted for a fixed contract. Fixed contracts can be a fantastic way to secure complete budget certainty and may still be right for your business. Some will give you the choice to add flexibility by 'passing through' non-commodity costs so even though a fixed price deal is the simplest contract choice, it may be worth working with an energy expert to make sure you've considered the longer-term picture and that you're not paying more than you need to.

Flexible energy contracts are more often the choice of larger businesses; those able to wield greater purchasing power, deploy sophisticated procurement strategies and hedge against future price rises. In the past, they may not have been an option, or seemed like the right choice, for your business - **but is it time to reconsider?**

Flexible contracts come in many different shapes and sizes, meaning you can usually find one that aligns well with your broader business goals and is a great fit for your expectations of risk and reward. They offer the benefit of being able to protect your business from price peaks and let you take advantage of lower prices when they occur.

This more involved approach to energy management is no longer reserved only for large or energy intensive corporations. In fact, energy strategy is becoming integral to commercial strategy for all future-facing organisations. Below, we look at how businesses can use innovative new products to access a wider range of contracts.

But first - taking this leap, and getting more value from your energy contract, will always be easier with an expert partner to lean on.

So what should you look for in your ideal energy partner?



Open and honest

Transparency is everything with expert support. In volatile times, you need someone who will tell you the whole story, without fuss or jargon. Look for easy to understand agreements, transparent fee structures and approachable energy experts who talk to you in terms you understand.



Responsive

With so many businesses striving to get energy management right and navigate a challenging marketplace, reaching suppliers isn't always easy. The right partner will remove the headache by taking ownership of your energy procurement, keeping you informed throughout the process.



Proactive

Energy management is becoming increasingly complex and time consuming as we transition to a low carbon economy. You'll need someone who will take the time to get to know your business, set out to find you the best possible deals and give you careful, genuinely helpful advice - without fuss or long waits.

“We believe in always being approachable and building lasting relationships. When we do a great job for our customers, they stay with us – which keeps us all happy.”

Mick Dugdale, MD



Boosting your purchasing power

We've talked about the diverse types of contracts that might meet your needs and why it's important to consider all the different charges that make up your energy bill. But for some businesses, another challenge is purchasing power. How do you access the full range of deals available



How do you access the full range of deals available to larger businesses when your energy demand is much smaller?

to larger businesses when your energy demand is much smaller? It's a problem we've worked hard to solve for our own customers – and the reason we designed our **frameworks** solution.

With our purchasing frameworks, your business can unlock the contractual benefits available to large energy customers, including fully managed flexible contracts.

How our Framework works

As a trusted and established expert in the energy industry, we already use our connections and expertise to help businesses of all types find the right energy contract for their organisation every year. Now we've taken this to the next level with an innovative approach to energy purchasing for small and medium sized businesses.



By grouping businesses with a similar level of energy demand and risk approach into a single purchasing framework, we're able to negotiate contract terms with suppliers as if they were one single larger consumer and deliver benefits including:

- unrivalled access to the energy marketplace
- purchasing power equal to large corporations
- more favourable contract terms
- fully managed energy accounts and support from an experienced risk management and trading team
- 100% REGO-backed renewable or carbon offset electricity
- green gas options
- reduced risk with buying decisions spread across the contract term
- options on non-commodity costs
- ability to take advantage of backwardated markets
- volume tolerance protection - if you use more or less than forecast.

“As a smaller organisation ourselves, we know the importance of understanding each customer’s individual needs - and we take the time to do it. We also believe that every customer should be able to access the best possible energy deals, regardless of size”

Richard Holdsworth, Head of Sales and Marketing



The figures say it all

98-99%

2023/24 Trident customer retention rate

Beyond your contract:

Taking a joined up approach to energy

Choosing your next energy contract with care is crucial - but it's not the only way to reduce energy costs and risk during volatile times. Many businesses are already starting to think more holistically about energy. Here are some of the key things they're doing to protect their bottom line and build resilience for the future:

Aligning energy strategy with business objectives

Is your business growing fast? Is sustainability important to your customers? Could investment in energy efficiency improve production processes? Could onsite generation create a new revenue stream for your business?

These are just some of the questions where energy is critical to your business' future. As the energy system changes, so will every business' relationship with it. We will be expected to become more proactive, flexible and environmentally aware - and those that consider energy as integral to broader business objectives will be best placed to turn challenges into opportunities.

As the energy system changes, so will every business' relationship with energy; we will be expected to become more proactive, flexible and environmentally aware.





Revisiting energy efficiency

When it comes to reducing energy costs, energy efficiency is a no-risk step that every business can take. You may have already implemented measures like switching to LED lighting or more efficient appliances, but there are always more opportunities. Nominating energy champions and having a robust monitoring and targeting system will help to keep efficiency front of mind. You can root out any inefficiencies, eliminate waste and cut costs as well as carbon and progress your journey to net zero.



Considering regulatory compliance

Having a strong understanding of which regulations apply to your business and staying one step ahead of your legal obligations will help to ensure you avoid costly penalties - as well as reputational damage. Since the Streamlined Energy and Reporting scheme (SECR) was introduced in 2019, more businesses than ever before are required by law to report on their energy consumption and carbon emissions. In the future, a carbon tax and Environment Bill may also extend carbon reporting obligations to smaller businesses, so it's worth double checking whether you need to act.



Thinking outside the grid

Could you boost your energy self-sufficiency and green credentials through onsite generation? A broad range of options are out there, from solar to combined heat and power (CHP) and biomass, and the cost of technology is falling rapidly - putting it within reach for more businesses. Purchasing electricity from medium-scale local renewable energy producers through an aggregated power purchase agreement (PPA) is another low-carbon option that helps to protect your business from price volatility.



Switching to green energy

Switching to electricity from renewable sources is the most straightforward change that most businesses can make to reduce carbon emissions. While this sometimes comes at a small premium, it has the capability to deliver multiple benefits for your business. In a world of increasingly earth conscious employees and consumers, green energy delivers improved brand perception, customer loyalty and employee satisfaction.

84% of UK and US consumers say a poor environmental record would cause them to stop buying from a brand, while nearly half are willing to pay a premium for socially conscious or environmentally friendly brands³.

³ <https://blog.gwi.com/marketing/csr-trends-2020/>



Stay on top of costs with an annual review

The energy marketplace is anything but stagnant, meaning your approach to energy management needs to move with the times. While some small and medium sized businesses only expect to hear from their supplier or energy partner when contracts are close to their end, we're different. We believe in taking a more proactive approach, supporting you throughout the lifecycle of your contract.

Our annual review is a chance to re-evaluate your needs and ensure your contract structure complements your usage profile, working patterns and energy efficiency approach. It's also an opportunity to conduct a health check on your non-commodity costs and make sure you're capitalising on subsidies you're eligible for.

Your annual review - 5 key checks



Has your usage profile changed?



Has energy efficiency lowered your demand?



Are you paying the right non-commodity charges?



Are you taking advantage of the subsidies available?



Are you 100% compliant with energy regulations?

We've got you

Energy procurement can feel like a complex task, especially when extreme price volatility is creating new levels of risk for your business.

But this isn't a road you have to walk alone. The team at Trident has been Making Energy Simple, adapting buying strategies and reducing costs for over 21 years. We know that every business has different needs and objectives, so we'll put the effort into understanding yours, and we'll never use confusing jargon or waste your time - we understand how precious it is.

The benefits of choosing Trident



Team culture

Trident is a close-knit team of industry experts and we boast an industry-leading employee retention rate. This promises our customers a better consistency of service than many of our larger competitors, along with a guaranteed level of expertise.



Built-in SLAs

With Trident, we can build service level agreements into your contract, so you always know exactly where you stand.



Pulse Net Zero

Our Pulse Net Zero platform seamlessly integrates energy management and carbon reporting into a single, unified solution, providing a holistic view of your organisation's energy use and emissions.



Dedicated account manager

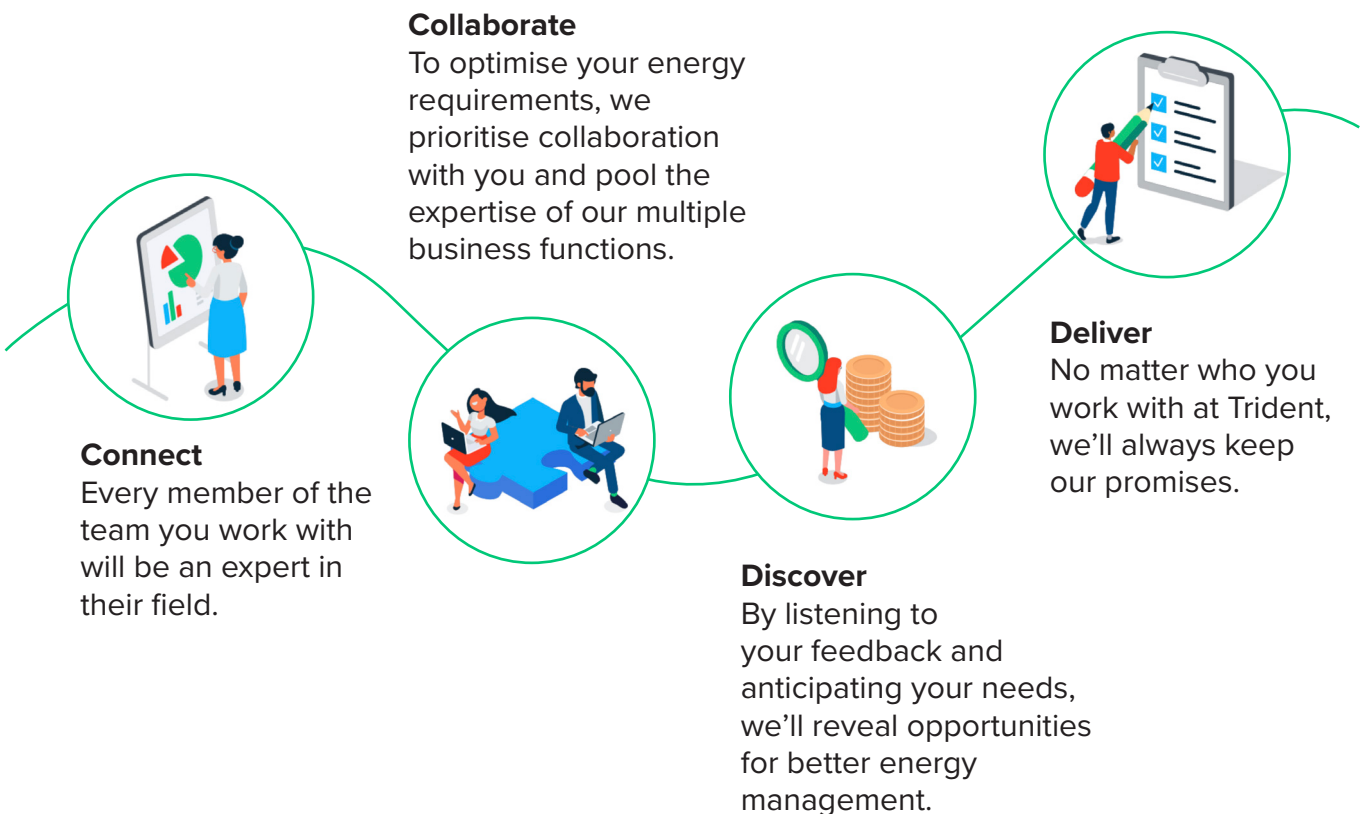
Every business and its energy needs are unique. Your dedicated account manager will provide access to tailored expert knowledge and means you'll always have a friendly voice at the end of the phone.



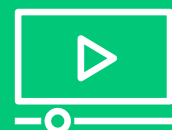
Our 360° promise

Trident's 360° promise is our commitment to working collaboratively with you to solve your problems, reveal new opportunities and deliver the best possible customer service.

Driven by our company values, we've built four pillars that support every Trident partnership and reinforce our people-centric approach:



Watch the video on our website at tridentutilities.co.uk to find out more about our 360° Promise.



Working with Trident:

What makes us different?

Delivering an exceptional service is made possible by our closely-knit team of industry experts. Here's a little introduction to a few of the people that make Trident different.



“I think customers enjoy working with Trident as they always get the service expected plus more. We are very thorough in the job we provide and always work with the customer’s best interests in mind.”

Paul Smith
Customer Success Manager



“The Trident team is knowledgeable and honest and delivers quality service at a personal level. I love the fact that I work within such a fantastic team - with a wealth of experience in all aspects of efficiency and compliance.”

Derek Tonge
Efficiency and Compliance Team Manager



“Our adaptive services enable us to help our customers in any way we can. We work hard to understand each customer’s business, goals and drivers, and tailor our services around that. I think customers want to keep working with us because they know we’ll go the extra mile - and because communication is always excellent.”

Amy Stockdale
Sustainability and Energy Engineer



“Trident is a good place with good people. Our purpose is ‘Making Energy Simple’ and I think we really do that for our customers. In a jargon and acronym filled, complex industry, customers appreciate our no-nonsense, transparent approach.”

Steve Campbell
Business Process Improvement Manager

Our trusted service

TELCA

Winners:

- Customer Service, Large Customer Award



TELCA - Winners
Customer Service -
Large Customers

Red Rose Awards

Winners:

- Customer Service Award



LANCASHIRE BUSINESS VIEW
RED ROSE
AWARDS 2024
WINNER

BIBAS

Shortlisted for:

- Service Business of the Year

BIBAs
Finalist

Trident success stories



ArcelorMittal



ArcelorMittal

By optimising energy costs and maximising benefit from subsidies, we helped ArcelorMittal achieve a historic refund of more than £100,000 and future savings of almost £180,000.

Read more

Everton FC



Through flexible energy purchasing and a focused energy saving plan, we helped cut the football club's huge annual energy bills by 19% over 36 months and saved 1,500,000 kWh.

Read more

KTS Wire



Following an evaluation of processes and analysis of consumption, we suggested a risk-managed, transparent approach to procurement which cut waste and saved more than £200,000 a year.

Read more

“Trident Utilities is a trusted partner, and we have no hesitation in recommending their services.”

Phil Taylor, CEO, ArcelorMittal Kent Wire

Talk to us

We know it's a difficult time for small and medium sized businesses. When you become a Trident customer, you can rest assured that you'll always get clear and honest advice from our energy experts. From budget-conscious energy buying through to efficiency and carbon reduction, we've got you.

Speak to one of our experts

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