

# Case Study

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## Flexible Basket Arrangement

### *The Challenge*

A large multi occupational office customer was looking to try and establish the best time of the year to commit to a new fixed price contract. They wanted to secure at the lowest point in the market for a fixed 2 or 3 year contract to take advantage of a low price in a rising market. They needed budget certainty as they also re-charged other cost centres within the building. They had previously always selected to choose a fixed price product as that gave them the budget certainty that they needed and took a gamble as to when to secure a new contract each year for the most favourable price.

### *The Solution*

We offered an options appraisal approach on the energy procurement and looked at a range of products that would best deliver to their working requirements. We proposed a flexible basket approach that would allow for them to agree a contract far in advance of a traditional contract but still allowed for budget certainty. We were able to combine their energy use with similar like-minded companies and fixed the non-commodity costs of the contract further in advance than a traditional fixed contract. We then provided a final price for the commodity part of the contract allowing the customer for budget certainty. We then had over a year before the contract actually started to better the rate the customer had now agreed to. Within a few months our risk managed approach had an ideal situation to unlock from the agreed rates to a lower price, creating a substantial saving against the agreed budget.

### *The Outcome*

The customer didn't have to commit to a fixed price contract all in one go with uncertainty if the market was in a good position. They still obtained all the benefit of a fixed price contract, but with the added benefit of a risk managed flexible trading arrangement. Budget expectations were set and improved upon even in a rising market. This resulted in a significant saving for our customer both in terms of the energy contract, and the time saved associated with managing this project each year. The customer continues to receive real financial benefits from this approach each and every year.



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