



Hustle Limited

Spot Price Retail Contracts — How to manage your energy costs?

November 2018



Welcome to the Hustle

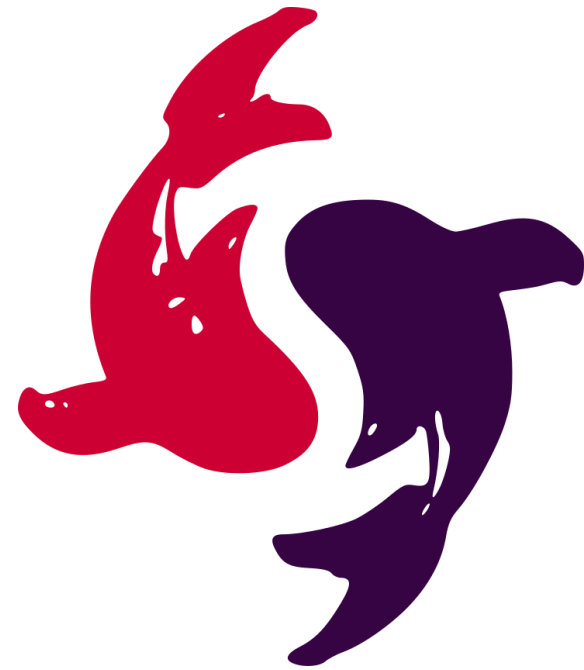
Energy Consultancy Services

Tackling challenging problems in complex markets

Hustle is a boutique energy consultancy with over 8 years of experience working in complex and regulated infrastructure markets across the Asia-Pacific region. We've worked in both developing and developed countries such as the Philippines, Singapore, China, Hong Kong, South Korea, Malaysia, New Zealand and Australia.

- Project Management,
- Due Diligence,
- Transaction Advisory,
- Financial Modelling,
- Competition & Regulatory Economics,
- Strategy & Market Analysis.

We have hands-on experience with hedging, risk management, and derivatives trading in the energy markets, and have practical experience in both the physical and financial markets.



We've worked with an array of stakeholders and to help solve complex problems in energy. Our projects range from energy management, environmental/sustainability issues, and carbon trading and management, to helping clients navigate policy frameworks for natural resource allocations.

Market Overview

Where is the industry going?

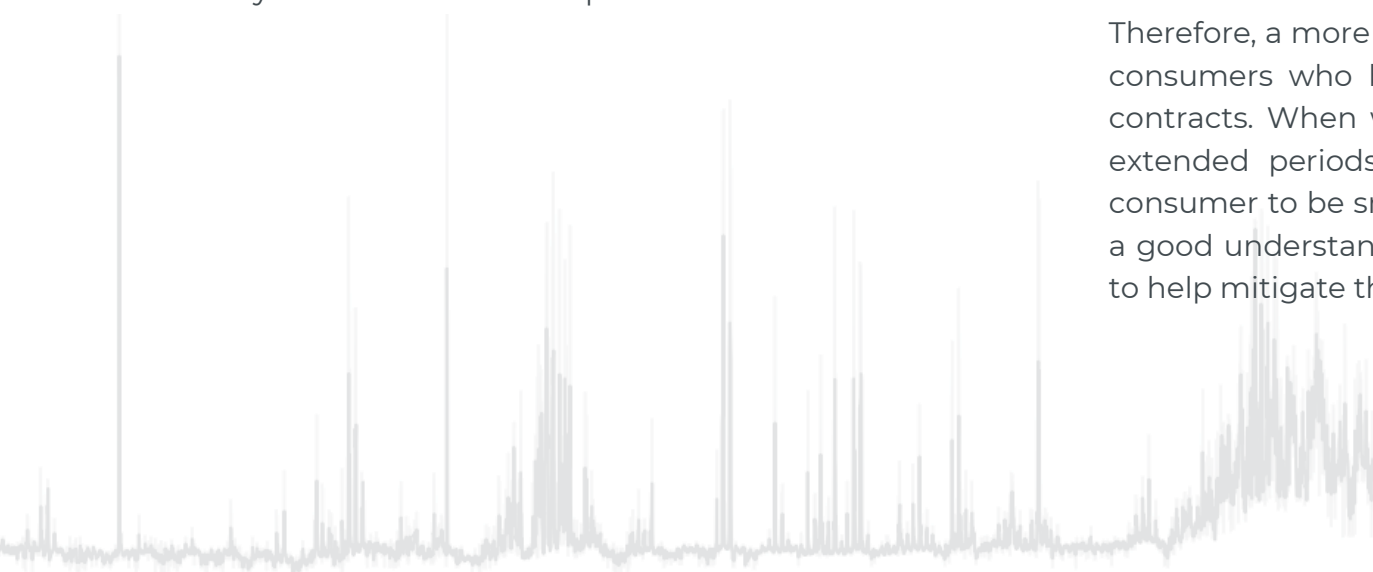
Industry Trends: **Spot Price Retail Contracts**

In recent years, new entrant retailers have steered us into a new and innovative directions, offering new business models for the benefit of end-consumers.

One of the new retail products in the market that has generated a lot of interest recently are spot price retail contracts. By moving away from traditional fixed-price variable volume tariffs, these retail arrangements allow consumers to save on energy costs by being exposed directly to wholesale market prices.

Such types of retail contracts have already helped reduce overall energy costs for larger-scale consumers who have sufficient hedging capabilities and the infrastructure necessary to manage spot price exposure. For smaller participants however, risk management is relatively more difficult with only limited hedging capabilities and prudential security available to curtail costs when spot prices remain high (i.e., during a dry year).

Therefore, a more novel approach is required by smaller consumers who believe in the benefits of spot price contracts. When wholesale market prices are high for extended periods at a time, it is important for the consumer to be smart about their energy use and have a good understanding of the options available to them to help mitigate their energy costs.



Market Overview

Where is the industry going?

How to reduce energy costs when spot prices are high?

Some of the options that are available to consumers to hedge and reduce energy costs when faced with prolonged periods of high spot prices are:

- Hedging their exposure to high spot prices by entering into financial contracts (e.g., CfDs, ASX futures contracts, etc.),
- Switching to alternative sources of generation (e.g., solar),
- Taking advantage of battery storage technology,
- Negotiating a fixed-price contract to mitigate part, or all of their spot price risk,
- Reducing load and consumption levels on a timely basis (i.e., demand response).

Before considering investment into any of the mechanisms above, it is important for consumers to first have a good understanding of their load profiles, expected consumption patterns and behaviour, and the corresponding impacts that this has on their operating budget and costs.

More accurate information about their own operations and energy use, and a deeper understanding of energy market dynamics enables consumers to make better business decisions that can materially impact their bottom line and profit margins.

Contact us below if you'd like us to review your energy portfolio.

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