

# A GUIDE TO FIXED PRICE CONTRACTS



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ENERGY

## Introduction

When switching your businesses energy one of the first considerations is to understand what kind of energy contract you are looking for.

There are many types of energy contracts, the main ones being flexible energy contracts and fixed energy contracts.

Both offer a range of benefits and risks, all businesses are different, so it is important for you to understand the difference between the two to identify which contract is most suitable for your business.

With ever-increasing energy prices, a growing number of businesses are benefitting from the security of a fixed price energy contract. But finding the best fixed price energy contract for your business can be complex. At Inspired Energy we conduct a full market search and have access to the most competitive products, so we can turn around a fixed price faster than any other party.

## So what is a fixed price contract?

A fixed price energy contract gives you complete peace of mind for the full duration of your energy contract, allowing you budget certainty and accurate forecasting of energy expenditure.

Your costs do not alter - so if a supplier was to increase their price, or the market suddenly changed, your energy costs would remain as they were. Fixed contracts can be fully fixed for up to 5 years and can be reviewed 12-18 months in advance of the current contract end date to get you the best possible price for your next contract.

## Is it suitable for my business?

If you don't wish to be exposed to the volatility of the energy market, a fixed price energy contract will provide you with stability and budget certainty for the full period of your contract.

However, if your business would like to take advantage of an ever-changing energy market, it may be worth looking into a flexible or bespoke strategy, such as Inspired Energy's 'Blend and Extend' product.

## What do I do when my contract ends?

Many buyers may be tempted to leave renewing their business energy contracts to the last minute, but this could leave you vulnerable to significant upward price risk. Suppliers can automatically put customers on to a much more costly tariff at the end of their fixed contract, undoubtedly resulting in businesses paying far too much for their energy bills - so always be aware of your contract end date!

# How do they compare?

There are risks and benefits to all energy contracts, however the benefits may far outweigh the risks depending on your businesses needs and requirements. Fixed price energy contracts can sometimes represent the best value over a long-term period, due to the increase in businesses opting for fixed price energy contracts more and more suppliers are finding a balance between protecting your prices and offering the most competitive energy rates.



## Benefits

- Budget certainty for the duration of your energy contract
- No rising wholesale or third-party costs
- Suppliers will absorb the long-term pricing risk
- A simple and straightforward contract



## Risks

- Fixed contracts will have a higher risk premium embedded into them
- Fixing at one point in time means you may be fixing when the market is high and you will be stuck with the decision - make sure you use a consultant to help
- If you accept the renewal price you may end up paying more than you need, go to market well before your contract end date

## Conclusion

In conclusion, choosing a fixed price energy contract can be a gamble. While it protects you from ever increasing energy costs, the chances are that businesses on a pass through or flexible energy contract could be paying less for their energy.

However, if you are looking for security or are looking to stick to a set energy budget, a fixed contract is the way forward. The best thing for any business is to let an energy expert assess your current deal and usage and to find the right energy deal for your businesses specific needs and requirements. This can be tricky and time consuming and requires a great understanding of the energy market.

**Contact us today to find out more about  
how we can help your business**

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