

# Portland Fixed – Worked Example

Travelsmart Bus Ltd are a bus company purchasing 100,000 litres of Diesel per month. They are looking to fix their costs on a portion of their fuel consumption.

They decide they would like to fix the price of 50% of their monthly volume for the next 3 months, ie, 50,000 litres in Month 1, 50,000 litres in Month 2 and 50,000 litres in Month 3.

They agree a price of £0.92 per litre (excluding VAT) with Portland Fuel Price Protection for the 3 month period.

The Portland Fixed product requires no up-front fee.

Travelsmart continue to buy their fuel in the normal way from their usual fuel supplier(s).

In month 1, the average price of Diesel turns out to be £0.93 per litre so Portland owes Travelsmart 1 pence per litre (ppl). On 50,000 litres that is £500 paid by Portland into Travelsmart's bank account (50,000 litres x 1p = 50,000 pence = £500).

In month 2, the average price of Diesel continues rising and goes up to £0.95 per litre so Portland owes Travelsmart 3ppl. On 50,000 litres that is £1,500 paid by Portland into Travelsmart's bank account (50,000 litres x 3p = 150,000 pence = £1,500).

In month 3, the price of Diesel falls back to an average of £0.91 per litre. That is 1ppl less than the agreed fixed price, so Travelsmart owe Portland £500 (50,000 x 1p).

**Portland does not get involved in the physical purchase of your fuel. You continue to receive your fuel in the normal way and pay your fuel supplier in the normal way. Portland simply credits or debits the difference between what you have to pay and the agreed Portland price.**