



What Not to Do... In Energy Procurement

Energy management professionals usually define themselves as 'wearing many hats', which makes the profession interesting and dynamic but also requires an all-round knowledge and experience in key subjects. Whilst there is a plethora of information available out there in each topic, there are only so many hours in the day that can be devoted to reading and research.

Have you ever wondered what is the one thing that you should avoid doing when looking for a new supplier, undertaking a waste audit or



setting energy management goals? The EMA will be looking at key areas of energy management and asking those who focus on those areas at their organisations. In this issue, we have asked questions around energy procurement.

Jack Gale – Utilities Lead at Lush

When looking for a new supplier, you should never ever solely focus on price.

Customer service, account management, ethics and business integrity are all just as important when managing an estate directly with a supplier.

When renewing a contract, you should never ever just consider 1 year contract lengths.

There are often savings to be made looking at longer term options. If you spot a pricing dip in the market during your current contract, it can be beneficial to secure a new contract many months in advance of your contract end date.

When dealing with a bill validation, you should never ever skim over the minor details. Endless problems can be caused by incorrect addresses, dates and consumption figures. Check everything.

Paul Graham – Utilities, Waste and Sustainability Manager at Kingston Hospital NHS Foundation Trust



When looking for a new supplier, you should never ever give out your personal mobile number to all suppliers, they will call you.

When renewing a contract, you should never ever assume that their initial offer is the best value. It's always worth reviewing your options and testing the market first.

When dealing with TPIs, you should never ever believe they are as good as they claim without verification.

There are a wide range of good and bad practices out there, all of them claim to be the best at what they do. Get yourself clued up so you can tell a lemon from a peach, ask an expert for advice, ask for references and follow them up, make sure you have confidence that what they offer is good for you not just for them.

When dealing with a bill validation, you should never ever agree a flat fee payment unless you are sure they will find significant rebates.

Most will ask for a share of the rebate. Check their percentage against others before signing anything.

When budgeting, you should never ever assume next year will be the same as this year.

Finance departments like predictability but it pays off later if you encourage them to include a margin of error in their calculations. There's always the possibility that the market will be especially volatile and/or abnormal weather will increase your demand.

When forecasting, you should never ever assume you have all the facts up front.

Climate change is causing more exceptional weather events, wars in key energy producing countries

start quickly and have unexpected consequences, your organisation's site development plans change. It's worth building uncertainty and flexible strategies to plan for change as you go.

When dealing with tenanted properties, you should never ever make up fees (they often ask for backing) or forget to bill them if you provide their utilities (they don't always remind you).

Mark Taylor – Director at Taylor Made Energy Solutions



When renewing a contract, you should never ever forget to issue a written termination notice to your current supplier before the due date (although some will say they don't require it). If you don't do this, the supplier can roll you onto a new contract at a price of their choosing which you may not be able to get out of.

Terminating a contract does not force you to move suppliers but just allows you the choice to move if you wish.

When dealing with TPIs, try to avoid signing a letter of authority (LOA) that allows a TPI to sign contracts on your behalf unless it is strictly controlled and time limited. TPIs can use this type of LOA to sign further contracts that you may not be aware of and have not agreed to. Always agree under what circumstance a TPI can sign for you and try to agree parameters rather than letting them decide.



Phil Moran – Energy Management at University of Chester

When looking for a new supplier, you should never agree to enter into a contract without understanding the key points that could impact you.

- Your unit rates: These are unlikely to change on a fixed contract, however on a flexible tariff, your unit rate may change throughout your contract.
- All additional non-commodity charges: these include distribution and transmission charges, CCL, VAT and standing charges that can make up to 60% of your bill!



- The length of your contract: in most cases when your tariff/contract expires, your supplier will switch you to their standard rate. This is unlikely to be the most competitive tariff and may end up costing you a lot of money.
- The compatibility of your existing meters/AMR: not all suppliers' data collection systems are compatible with every type of meter or Automatic Meter Reader (AMR). Most suppliers encourage customers to install AMR on their supplies. Most suppliers include this service in your tariff. Metering helps you understand your consumption habits, identify waste or inefficiencies and only pay for the energy you use.

Never be afraid to ask questions about your contract. Most suppliers want to provide you with a good service and customer experience. If you work for an organisation that has a procurement or finance department, ask them to help. They will most likely have a procedure to follow depending on the overall cost, and experience in other areas of procurement that will help you be transparent with your selection process.

Never switch supplier without checking out potential suppliers' track record. Online reviews are a great place to view the experiences of current and previous customers.

When renewing your contract, you should never be afraid to switch supplier.

There are a variety of suppliers to choose from, offering tariffs to suit all requirements. From low unit rate costs, to ethical values. And excellent customer service to 100% renewable energy.

When dealing with bill validation, you should never assume you can't save money through checking historic bills. That said, never assume someone will be able to save you money either.

Take the time to understand your energy consumption and costs. If you have a multi-site portfolio, understand which buildings are less efficient or even unoccupied with the lights and heating on. Although it sounds unbelievable, it does happen regularly. There are a variety of service providers that can help you with this.

When budgeting, you should never expect your costs to stay the same.

A new tariff may offer a cheaper unit rate but have higher non-commodity charges. Assessing your whole or fully delivered energy costs should be considered. When budgeting you should never ignore the need to reduce your CO₂ emissions from energy. There is huge scope to be more sustainable by procuring

100% renewable electricity. Larger consumers can purchase their energy via a Power Purchase Agreement (PPA). This allows you to purchase a percentage, or all of your energy with 100% renewable electricity from a designated generator, whilst investing in future generation projects. Finally, when budgeting, never assume people will reduce their consumption just because they are told to, or that it's a good idea. In my experience, people want to be involved and shown the benefits of changing, shown how to change and be rewarded for their contribution. Creating ownership of energy and carbon emissions reduction is the key.

When dealing with tenanted properties, you should never include the cost of unlimited energy in the contract. This may remove the desire of the tenant to be efficient and responsible for their energy consumption. Encourage tenants to take ownership of their energy, provide them with the support and encouragement to be efficient and to identify and eliminate waste.

Consider offering incentives to encourage efficiency as this can lower your EPC rating making your property more efficient and also more desirable and attractive to tenants. This may in turn allow you to charge a premium for your energy efficient and sustainable property or space.

