

# UtiliPoint *Emerging Technologies* International **IssueAlert**<sup>™</sup>

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## **Promoting Competition in Energy Markets with Technology**

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Energy procurement and supply management can be very difficult and demanding tasks, especially for businesses with many facilities in many states. The implementation of deregulation across the power and natural gas sectors has further complicated these processes. While further energy deregulation has seemingly stalled across much of the country, 44 percent of the states have implemented or are currently implementing a competitive natural gas or power market.

Deregulation of energy markets presents opportunities for buyers to manage energy costs to their advantage and for suppliers to increase their market share. However, both buyers and suppliers need quality information in order to find opportunities, make decisions, and manage risk. Buyers need solid energy management strategies and straightforward processes to help them choose energy sources wisely. Suppliers need simple, cost-effective ways to present their offerings competitively and to acquire customers. As a result, a few companies are using technology to address these needs for market participants.

### **EnergyWindow**

Based in Boulder, Colo., EnergyWindow ([www.energywindow.com](http://www.energywindow.com)) was started as a way to provide energy users and their suppliers with higher quality information, and to make it easier to identify and quickly act upon profit opportunities. EnergyWindow

assists buyers in developing energy supply management strategies to drive down energy costs. The company also provides performance management offerings to help companies benchmark and track cost and usage data, and a range of decision support tools and information to help buyers spot and seize attractive openings in deregulated markets.

However, the company's flagship offering is the EnergyWindow energy sourcing tool , which gives qualified buyers easy access to a wide range of nationally known energy suppliers. To date, EnergyWindow has handled more than 2,000 transactions for large energy purchases across the country. The company's customers include Federated Stores, Food Lion, J.C. Penney, Kmart, Loews Cineplex Entertainment Corp., PepBoys, and Regal Entertainment Group. The company has saved its customers more than 15 percent on average, with some contracts saving up to 30 percent over the average price customers would pay if they didn't choose a competitive retail electric provider.

I had the opportunity yesterday to talk to Dr. Jack Mason, President of EnergyWindow. According to Dr. Mason, using this automated, online sourcing tool, buyers can take control of their energy supply procurement decisions by specifying their facility energy needs and comparing offers. “The sourcing tool helps energy buyers identify and select quality energy supply sources via an open-book, objective, Web-based procurement process,” said Mason. “It quickly creates accurate, needs-based requests for quotation, solicits competitive bids from qualified energy suppliers, and identifies the best supplier with which to contract.”

There would appear to be a number of benefits from such an approach for energy buyers. It would accelerate the processes of understanding deregulated markets, identifying suppliers and their offerings, developing requests, and converting offers to a comparable basis.

The streamlined process allows buyers to concentrate on multiple, concurrent opportunities. The sourcing tool provides e-mail alerts to help monitor the bidding, so buyers can spend less time on the Web site.

Buyers pay nothing out of pocket and can save thousands, even millions of dollars in energy supply costs. EnergyWindow receives its revenue from the suppliers that win bids using the sourcing tool by charging a fee that amounts to a certain percentage of the transaction. The buyer's only commitment is to negotiate, in good faith, a service agreement with the winning supplier if their stipulated price is met.

According to Dr. Mason, EnergyWindows has made significant strides to make the energy sourcing tool as user friendly as possible. “Energy buyers can provide usage data in any format, and EnergyWindow can even obtain your usage data directly from the utility company, often via electronic means,” said Mason. “Buyers can use our on-site "wizard" to construct requests for quotation or have EnergyWindow take care of the entry process and cost analyses.”

Energy suppliers are pre-registered and approved by EnergyWindow, and selected by buyers. The suppliers are notified by e-mail when new requests for quotation are posted.

According to Dr. Mason, participating suppliers include all of available power suppliers, and about 70 percent of the natural gas suppliers in the country.

EnergyWindow conducts the bidding, and manages the auction process. When the bidding period closes, the buyer and the winning bidder are notified and can negotiate and execute the service agreement.

Last year EnergyWindow closed its first round of funding. Altira, an early-stage venture capital firm focused on energy technology, provided \$600,000 in Series A financing. EnergyWindow used the money to integrate and accelerate commercialization of their products, strengthen infrastructure, heighten market visibility, and build on the company's sales staff.

I recently had the chance to talk to Peter Edwards of Altira Group about the firm's investment in EnergyWindow. According to Edwards the EnergyWindow team has created a solid business in true entrepreneurial fashion. "The thing that attracted us the most was the management team itself," said Edwards. "We also liked the fact that EnergyWindow had identified a way to deliver high value for a reasonable cost. Also appealing was the fact that EnergyWindow is forging trust relationships with big-ticket customers in the early stages of energy procurement. Energy management should continue to gain importance as deregulation expands, and I see EnergyWindow as a platform to deliver more services and products to these customers."

EnergyWindow is now looking at the possibility of doing another round of financing. The firm is looking at raising between \$1.2 million and \$1.6 million in an effort to deliver the additional products and services to their technology that Peter Edwards alluded to.

EnergyWindow is not without competitors. Companies such as World Energy Solutions (<http://worldenergy.com>) and EnergyGateway ([www.energygateway.com](http://www.energygateway.com)) also provide products and services to help companies take advantage of deregulation to lower costs. According to EnergyWindow, the technology behind the company's products and services is what differentiates them from such competitors. "We are converting customers' needs to technical tools more efficiently, and providing a full suite of meaningful energy supply and strategy tools, products, and services," said Mason. "We will continue to invest in technology to reduce the time and effort required to obtain, format, manage, manipulate, and utilize facility energy data in support of energy procurement, and develop the system, methods, and technology to apply our capabilities within the context of electronic supply chain platforms."

It could be that EnergyWindow will see additional competition from utilities themselves in the future. One of the things that has plagued the proliferation of deregulation is the fact that utility commissions are doing little to encourage transmission and distribution companies to promote competition. If a transmission and distribution utility had such encouragement, we could see utilities begin to offer similar services. In fact it appears utilities such as Unitol Corporation and Alliant Energy are already experimenting with such models. Even so, it is unlikely that such utilities would offer such a service on a

national scale, and instead would focus on the market that utility already serves. As a result, there would always seem to be a role for companies such as EnergyWindow.

Effective energy supply management is a very complex, dynamic, and time-consuming process. And as long as energy costs continue to comprise a substantial portion of operating costs, companies will continue to seek opportunities to reduce the complexity, cost, effort, and risk of energy supply management. If energy deregulation can regain traction, there is little doubt that companies will seek these opportunities with an increased momentum.

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