

The Top Five Tips to Help Retail Chains with Energy Procurement

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Although retail chains may often have a staff member or department assigned to handle energy procurement, these individuals usually have limited time to research and implement energy purchases in potential markets. In addition, because tracking energy markets, regulations and vendors is such a complicated task, finding the best deal is daunting. As a result, energy procurement activities sometimes receive less attention than they deserve. This is a shame because gas and electricity costs are among the top five controllable, indirect expenses a retail chain incurs. By giving some attention to this “lonely stepchild,” companies often can achieve significant savings – savings that can mean the difference between profit and loss in an industry where margins are notoriously tight. With this mind, the energy experts at EnergyWindow have prepared a short list of tips that can help retail chains reduce operational costs related to gas and electricity procurement.

Tip No. 1: Pursue energy bids in competitive markets

Many energy or facilities managers at retail chains don't even know that competitive energy options are available and, thus, don't pursue them. There are roughly 16 states where electricity supply is deregulated and many more for natural gas – and, at one time or another, most sustain active competitive markets. If you pursue competitive energy bids in those deregulated markets, and find a better deal than the local regulated utility default service, you have effectively improved your margins with savings that go straight to the bottom line. Most companies don't have the comprehensive industry knowledge and technical resources to develop and present manual energy requests for bid in every potential market. The best option in this case is to use energy procurement technology tools to automate and streamline the process of finding competitive energy bids that meet your company's specific needs. In the several years since EnergyWindow has provided its automated, online Request/Bid energy sourcing tool, the company has saved its clients \$20 million on roughly \$100 million in projected energy costs. And, using that type of tool or service, the investment to pursue these opportunities can be as little as a few hours of staff time.

Tip No. 2: Enlist the collective knowledge of facilities managers and procurement managers

It's quite common for facilities managers to handle energy purchases, while the procurement people stay in their own realm, purchasing office supplies, furniture and products to sell at the best available price on the open market. In other cases, the procurement staff handles energy transactions in a manner that divorces them from the experience of the facilities department. Because energy buying is such a complex process, it's best to get these different departments to collaborate, take advantage of the collective expertise of both groups to set goals and needs for energy purchases, and use systematic sourcing approaches.

Tip No. 3: Take advantage of energy experts and energy-specific databases for gas and electricity procurement

You'd think that buying energy is like buying any other item. Many standard sourcing practices apply. Yet, when it comes to energy purchases though, there are differences. Why? There are very specific data elements that must be gathered and provided to an energy supplier to obtain a competitive bid, along with some energy-specific request elements and contract considerations. If you don't provide this energy-specific information, energy suppliers can't bid consistently on the contract. Options include building your own software as an adjunct to your enterprise supply chain system or partnering with companies that provide energy purchasing technology, which can operate independently or be adapted to work in concert with enterprise-level procurement systems.

Tip No. 4: "Seize the day" when you find viable competitive bids

This scenario happens all the time: companies research competitive energy contracts and find one with the right parameters that allows, for example, 7% savings, in key energy markets. Yet, it's quite common for management to delay pursuit of the contract in the hopes of better savings down the road with some other deal. In this case, the old phrase "a bird in the hand is worth two in the bush" holds true. A lot of energy savings tend to be left on the table simply because companies don't take action, in hopes of saving even more at some future date. As in investing, don't try to guess the bottom of the cost curve. If you can cost effectively execute competitive energy contracts now that will definitely save you money and meet your parameters, go for it!

Tip No. 5: Don't put all your "energy eggs" in one basket

The best way to manage a portfolio of energy contracts is like you would manage an investment portfolio. You should build an energy contract portfolio that includes different energy products, different contract ending dates and different suppliers – all to reduce risk. For example, companies sometimes structure purchasing so that all their energy contracts come up for renewal at one particular time during the year. This is a huge mistake for a number of reasons. First, energy availability and pricing is cyclical. Energy prices vary considerably based on things like supply constraints, economic activity, seasonal variations, regulatory changes, and domestic and international political events. Second, competitive energy bid options and regulations also vary from territory to territory – and sometimes there are up to five different energy territories within one state! So, if you set all your energy contracts to be renewed at one time, you run the risk of exposure to high prices at a time when your contracts need to be renewed. You also run the risk of being unable to take advantage of lower energy prices when they are available. Diversity, in any type of portfolio, is a beautiful thing.

About EnergyWindow

EnergyWindow is a Boulder, Colorado-based company that offers a comprehensive suite of information technology-based tools and energy industry expertise to help businesses manage every aspect of their energy supply cycle (natural gas and electricity). EnergyWindow offers four key areas of products and services: 1) PowerQuote™ energy sourcing tool for online energy procurement; 2) PowerScape®

real-time, web-based energy market knowledgebase; 3) PowerTrac[®] contract management tool and PowerMonitor[®] energy performance management information systems that track and analyze a company's energy contracts and usage; and 4) PowerStrategy[®] energy management planning process and consulting. The company was founded in 1999 by Dr. Jack Mason, a long-time energy industry veteran, and Dr. Mike Usrey, a veteran Internet and information technology expert. To date, the company has successfully closed approximately 9,000 transactions for energy purchases, resulting in savings of more than \$115 million on \$535 million in energy supply costs. The company can be reached at: www.energywindow.com, or (303) 444-2366.