



## **Buying Energy is Unique: Savings Comes from Education**

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Purchasing professionals face some universal issues, whether they are buying paper, beef or industrial exhaust systems. Everyone wants the lowest possible cost. No one wants surprises in the contract. And everyone knows that more bidders typically bring more competitive pricing. The goals of energy procurement are no different. However, the path to success explores much different territory.

According to Purchasing Magazine, “Buying energy is like buying any other commodity – except it’s different.” Finding an integrated energy management solution that maximizes cost savings while identifying ways to improve efficiency is easier said than done. Transforming static utility bills and meter data into actionable insight and intelligence is key to keeping costs under control over a long period of time.

Poor energy procurement decisions can be expensive. Energy prices fluctuate constantly, which can significantly affect energy bills and performance against budget. Energy and other commodities might be as different as apples and oranges, however, by taking a proactive approach to buying energy, sites can better control costs.

To start, geography matters. Unlike other commodities, a facility’s location plays a major role in determining how it can buy energy. Some types of energy, like electricity, may be regulated in a market, but others, such as natural gas, may be deregulated in the same market. These variations make a single approach to buying for multiple markets completely impractical.

Secondly, energy prices can resemble the stock market. This volatility makes energy buying uniquely complicated. Prices are prone to swing, and opportunities can be seized only by acting quickly to buy within a relatively short timeframe. Having a strategic plan is crucial to making informed, quick decisions on a short-term offer.

Additionally, many factors can drive contract preference. In addition to the size of the load, the shape of the load can drastically impact pricing. The time of day when a facility requires the most energy and its pattern of use can significantly impact the site’s utility rate, contract terms or price

offerings. With most commodities, purchasing professionals are evaluated primarily on how well they reduce costs. But because energy costs vary for reasons far outside of anyone's control, success often comes in the form of staying ahead of the market and taking action to avoid or mitigate a cost increase.

In Passaic County, a newly formed cooperative to buy electricity is projected to save taxpayers more than \$500,000 a year. "We believe there's a big opportunity for savings in natural gas, too," freeholder Bruce James said. "The more who participate, the lower the price. It offers stability in a volatile market. It's a big deal, because all the towns are looking for ways to save."

While intelligent energy procurement can be integral to achieving real savings for taxpayers, counties must also continue to implement energy-efficiency technologies and practice simple, common-sense methods to reduce consumption. But it can't be a part-time business, so partner with a firm who has that core competency along with market intelligence and accessibility to monitoring data. Otherwise, a lot of opportunities will be missed along the way.

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