

## Are we ticking boxes or saving serious cash?

Published: 09 January, 2012

With the first CRC footprint reports revealing that big users have huge potential for energy savings, isn't it time all firms took a leaf out of the CRC book and invested in bespoke energy auditing, says Brian Rickerby, Joint Managing Director of energy consultancy energyTEAM.



Until relatively recently, energy was still far too often seen as simply a 'must pay' bill and green issues were someone else's concern, because businesses had their core activities to focus on. Even then that was short sighted, because for most companies energy was often the biggest single cost after payroll. Now the double whammy of more legislation carrying the threat of fines, and escalating fuel costs has changed the landscape altogether. The stakes are high and the issue is finally at the top of board room agendas.

### Managed approach

The energyTEAM Carbon Ladder is a logical, long-term approach to energy efficiency that helps energy managers to take a logical, managed approach to reducing their costs, so they can introduce changes in processes and staff behaviour with the minimum of disruption to their core business; and can prioritise the investments that will deliver rapid and measurable results.

The longest journey starts with the first step, and this approach sets out a roadmap that enables businesses to plan and stagger activities and investments intelligently without ever losing direction.

We work with businesses in a number of areas which include energy procurement where we negotiate fixed and flexible energy contracts with energy suppliers. We also provide energy consultancy – identifying specialist service suppliers to help reduce carbon emissions and costs. Energy legislation is also high on the agenda, keeping up, and complying with, new and constantly changing energy legislation. We also look at total energy management in order to build a comprehensive understanding of usage and energy cost management, bringing it all together to maximise savings.

Most firms have made a start on this journey but, for many, the final link in the chain is linking smart energy purchasing with optimised energy usage.

### Procurement

The majority of businesses do now employ the services of an energy broker to procure energy at the best possible cost. Even small businesses benefit from dealing with energy brokers because they will have access to contracts that previously only large energy users could benefit from.

However, it is important to deal with a broker that offers a range of purchasing contracts and discusses the options with you, only recommending the energy purchasing method that suits your organisation.

There are a number of different methods of purchasing energy which include fixed contracts, tracker contracts, flexible contracts, etc. One method is not better than another, and it is important to evaluate the type of contract that best suits the individual needs of the company and its usage pattern. Businesses can reap huge rewards if production patterns can be varied so that, for example, energy intensive equipment is used at times when energy costs less, and contracts negotiated accordingly.

In short, flexible contracts allow purchase of gas or electricity throughout the contract period and take advantage of any 'dips' in the market. If a company requires absolute budget certainty, a fixed price contract, where the only variable is usage, could be a better option. Equally there are new products which purchase energy on the wholesale market but 'lock in' all usage prior to contract commencement, which provide the best of both worlds.

### **Energy usage**

The first step in reducing your energy usage is understanding where you are now. Making short cuts in your energy audit is a false economy. In fact, the apparent complexities of the CRC (Carbon Reduction Scheme) that applies to larger firms are probably not a world away from what other firms should be doing on a smaller scale.

Every privately owned commercial building with air conditioning above 12KW needs to arrange for air conditioning equipment inspections (and you should be aware that, after a slow start, trading standards officers are now asking to see air conditioning certificates and fining firms who cannot produce them). Air conditioning inspections can only be carried out by a qualified commercial energy assessor and it is worth noting that your air conditioning maintenance company may not be qualified to carry out these inspections. Plus, can you expect an objective inspection from somebody who is checking their own work?

As you will be paying inspectors and auditors to be in your building anyway, you might as well make sure that they are putting a lot more back into your business than they are taking out in fees. In short, you should be doing much more than ticking boxes and instead digging a bit deeper to reveal real opportunities.

The CRC (Carbon Reduction Commitment) Scheme, a key pillar of the 2008 Climate Change Act, is mandatory for large users of energy in private as well as public organisations. Originally it dangled a carrot – organisations were to pay a levy in proportion to their emissions, with 'good' firms getting a rebate. But that levy has evolved into a non-returnable tax. While it is tempting to think that this is the problem of the big energy users and local authorities, received wisdom is that CRC will sooner or later take in smaller firms. So every business in the UK has a vested interest in influencing how it shapes up - and it may make sense to take a 'CRC Approach' and look at every aspect of fuel usage and every single piece of equipment that is consuming it.

However, while a mandatory CRC Footprint Report focuses on measuring emissions, all it really tells you is how much carbon tax you will be paying and that you need to reduce your consumption. An energy audit or survey will give you an action plan of how to do so, and makes sense for businesses of all sizes. A professional energy auditor will be able to take on board the differences in shape, size and age of the buildings, and then look at what products will best fit and add value to your business. They can assess the overall energy demand and key areas of energy consumption and analyse the potential of renewable energy opportunities and technologies such as CHP, solar PV, ground source heat pumps and wind.

By examining individual items of equipment (which is easily achievable by installing smart meters locally) auditors can identify opportunities to improve their control and usage with the activity of the business. You'd be surprised how many air conditioning and heating systems are left on for hours when relatively inexpensive controllers enable time, temperature and lighting requirement to be interlinked for optimal consumption once you understand the usage patterns.

### **First action point**

Energy management is not just about ticking boxes but about proactively conserving energy and what may seem to be a curse of new energy legislation could actually prove to be a blessing if approached in the right way.

So once the accountants have done with the numbers, talk to an energy consultancy about the action and don't keep different aspects of energy procurement and usage in silos because looking at them together can uncover new opportunities.

It would be a brave person who would predict where energy prices will be this time next week, month or year. We can't control that, but what we can control is how much we use and how efficiently we do so. Quite simply the less energy we use, the less it is going to cost us.