Buying Energy

GUIDING QUESTION *Take your last electricity bill and spend four minutes on it with a pen. Mark what you pay for the units you consumed, and mark everything else: the standing charges, the capacity or demand component, the network costs, anything that does not vary with how much you used. Then ask who in your property negotiated the first figure, and who decides the second. In most hotels those are different people, and only one of them knows there is a negotiation.*

Property: _____ Completed by: _____ Date: _____

How to use this sheet: work through the five parts with the people who own the process. The text in the left-hand columns comes from the book; the empty columns are for what is true in your property.

1. Verification Pact: what is commonly believed, what actually holds, and your property

What is commonly believed	What actually holds	In our property
«We tender the contract every year, so it is under control.»	You control one variable in a structure you have never specified. A request for prices is not a specification.	
«The unit price is what we are buying.»	It is one element of cost composition, which is one of six headings a specification may address.	
«Purchasing handles the energy contract.»	Purchasing determines the price. The kitchen, the laundry and the heating start determine the demand charge.	
«Two offers at the same price are equivalent.»	Not if the capacity component is calculated differently. On your own demand profile they can differ materially.	
«Reliability is not a commercial term.»	Reliability and availability are named specification elements. A supply is a service with characteristics, not only a price.	
«We would have to write a technical specification.»	You may use specifications proposed by a supplier. Ask what structures exist and how each is calculated.	

2. What the standard requires, and what demonstrates it

From Table 2.5.a. The third column of the book (what is method, not requirement) is left out here: write what your property actually holds as evidence.

What is required	What demonstrates it in a hotel	In our property
Specifications for the purchase of energy defined	A page stating what the property is asking for, beyond a price	
Those specifications communicated	Suppliers asked to quote against the same stated basis	
Cost composition addressed	The bill separated into consumption, demand and fixed charges	
Reliability and availability addressed where relevant	A line in the specification, in a market where supply is uncertain	
Quality and quantity addressed where relevant	The demand profile shared with the supplier	
Alternative energy types considered	One line recording what was looked at and what was chosen	
Supplier specifications may be used	A conversation with the supplier about available structures	

3. The instrument: Table 2.5.b, The six headings, and who in your property knows the answer

The instrument of this subchapter. The third column is rarely the purchasing office.

Heading	What it means for a hotel	Who holds the answer
Cost composition	How much of the bill varies with consumption, with peak, with neither	Finance, from the invoice
Quantity	How much, and with what seasonal shape	The energy data; the commercial forecast
Quality	Supply characteristics that matter to your plant	Maintenance
Reliability and availability	What an interruption costs you, and how often it happens	Operations and maintenance
Environmental impact	What you may claim, and what it does not prove	The energy function, carefully
Alternative energy types	What else could supply this load	Maintenance and the supplier
The demand basis	How your peak is measured and charged	Only the supplier, until you ask

The rows above are the book's; the empty rows are for lines your property needs to add.

4. Common mistakes: self-check

Common mistake	Present here? (Yes / Partly / No)	Where we see it
Issuing a request for prices and calling it a specification.		
Comparing offers on unit rate when the structures differ.		
Leaving the demand charge outside anybody's responsibility.		
Never telling the people who create the peak that it appears on a bill.		
Omitting reliability from what is asked for, then discovering it.		
Writing a specification so elaborate that half the market declines to quote.		

5. Action plan

Step from the book / gap found	Action in our property	Owner	Deadline
Take one bill apart with a pen: consumption, demand, fixed charges, network and taxes.			
Find out exactly how your demand charge is calculated: one telephone call.			
Write a one-page specification before the next tender.			
Ask the supplier what structures are available; you may use what they propose.			
Give the demand profile to whoever negotiates; they cannot evaluate a capacity structure without it.			
Tell the kitchen, the laundry and maintenance that their hours appear on the invoice.			

Step from the book / gap found	Action in our property	Owner	Deadline
Put reliability into the specification where the market warrants it.			
Establish whether flattening the peak is worth anything before asking anybody to try.			
Keep the specification and every offer, with a line on why each was rejected.			

In brief

Buying energy is the only energy decision a hotel revisits every year, which is why it feels like the one under control. What is under control is a unit price: one element of cost composition, which is itself one of six headings a purchasing specification may address. The other five are rarely written down, and the bill is determined by all of them.

Source: The Helm and the Lens, Volume 4a: The Helm, subchapter 2.5. This sheet does not reproduce the text of the standard; work with your own copy of ISO 50001:2018 from an authorised source.