

There's more to energy smarts than green design

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Building managers and architects are aggressively focusing on how structural improvements, green design and enhanced efficiency can lower energy costs. Much less attention is paid to a new breed of advanced energy purchasing methods that can also drive down energy spending. When structural improvements are paired with the latest procurement programs, it creates a one-two punch that can directly improve bottom-line results.

In today's volatile and unpredictable market, energy budgeting is often a futile exercise for many businesses. Many companies now recognize the value of customized purchasing strategies that offer budget certainty. Competitive energy suppliers offer a variety of fixed and variable priced products and the industry's leaders are developing more sophisticated and innovative services.

Constellation NewEnergy has completed a customer trial for its i2i (information to implementation) program, which provides advanced risk management-based methodology. The software and data modeling program blends a customer's risk tolerance and current market conditions. The result is a procurement program that can help customers meet aggressive energy budget goals.

Some companies still attempt to "time the energy market," and this can be a risky proposition. A price spike can leave a

business exposed and force it to lock into rates at peak prices. Conversely, low market prices can lull some customers into a false sense of security, as they presume prices will continue to drop. Constellation NewEnergy believes that for businesses to be successful, they must be realistic when setting energy budgets and embrace an energy procurement strategy that is consistent with overall corporate financial strategy and level of risk tolerance.

Unlike traditional procurement strategies, i2i allows companies to take advantage of market volatility to achieve budget goals. To do so, a company's budgetary requirements and risk appetite are linked to the global market factors that affect energy prices. i2i strategists provide monthly analysis on current market trends and performance tracking reports. Customers have the information they need to maintain executive oversight and the ability to adjust purchasing strategies as necessary to take advantage of market volatility and maintain realistic energy budgets.

CB Richard Ellis (CBRE) is working with Constellation NewEnergy to offer i2i to CBRE clients with annual energy budgets in the range of \$2 to \$100 million. "Our customers know that utility costs are skyrocketing, and through our relationship with CNE and access to the i2i program, we deliver an added value to our customers, a manageable, predictable energy budgeting strategy despite the volatility they see in the market. With the i2i program, our customers gain the benefits of a dual service, both the con-

sultation and market analysis paired with the energy purchasing activity" said Doug Bushing, global director of sustainability and energy services at CBRE.

"In establishing this relationship, our first objective is to identify and then minimize the risk premium inherent in shorter term procurement strategies. By using a longer term approach to reduce volatility, we rely on past and future energy market prices to determine a more realistic budget cap or risk premium. The i2i team then works within our customer's established risk profile to monitor the energy market and becomes part of our customers' energy purchasing process. In the wake of Hurricane Katrina, we really saw the value of the i2i team's market expertise. Our clients were able to manage through the chaos and volatility of price spikes and remain within the parameters of their established risk premium, thanks to the i2i team and the accurately identified risk portfolios and well managed long-term purchasing outlook."

When it comes to energy purchasing, hope is not a strategy. Many customers learn this lesson the hard way. Protecting the bottom line in volatile markets requires an integrated and sophisticated management strategy. The i2i program gives customers the security and flexibility of safely purchasing within an established risk portfolio. To date, CBRE customers have enjoyed savings in the range from 12 to 20% off established energy budget portfolios over the span of their contracts.