

Customer Spotlight:

Major Baltimore Purchasing Agency Saves More Than \$11 Million a Year with Enel X

The Big Picture

The Baltimore Regional Cooperative Purchasing Committee (BRCPC) serves as a centralized purchasing group for more than 21 regional public schools, community colleges, county agencies, cities and towns, and other organizations. It's a standing committee of the Baltimore Metropolitan Council, an organization comprised of elected executives from the central Maryland region. Since 2000, BRCPC has helped local governmental agencies address one of the biggest drivers for total energy spend: how you buy it. Together, BRCPC enables businesses to combine their purchasing power and procure more advantageous contracts for electricity.

In 2005, BRCPC began to explore new ways to reduce its energy costs by adopting innovative purchasing options. Enel X helped BRCPC combine its purchasing power and buy electricity directly from the wholesale market, rather than via traditional retail markets. This program saves BRCPC members—and their communities—more than \$11 million annually.

Combining Purchasing Power to Achieve New Cost Savings

Managing and reducing energy costs are a critical responsibility of state governments and agencies. Volatile prices make procuring energy at the lowest cost even more challenging. Navigating the different market rules and getting retail providers to compete against each other is time-intensive and confusing. And rising energy costs can decimate budgets, creating shortfalls that delay other critical projects and programs, such as capital improvements or tax relief.

Many state and municipal agencies focus on energy efficiency, which provides a visible impact and incremental savings, as well as associated environmental benefits. But more agencies like BRCPC are also taking a careful look at how they purchase energy, and are looking for innovative energy supply management strategies that take advantage of competitive energy markets.

BRCPC is dedicated to getting the best price possible for energy, saving money, and serving taxpayers. "The more we learned about the energy markets, the more we understood the potential cost savings we could achieve by doing things differently," says Stephen Myer, chair of the BRCPC Energy Sub-committee.

However, when BRCPC began to explore its options, it found a strong need for outside experience and insights into the often mystifying rules that govern the electric markets. "We couldn't do much better in terms of pricing and suspected that we'd be better off buying from the wholesale market," recalls Myer. "But we needed expertise to come up with a strategy."

Enel X helped BRCPC develop a formal energy supply management strategy that took advantage of competitive markets—and that moved the agency away from the higher rates of the retail electricity markets. As part of this new risk management strategy, participating agencies combine purchasing power, creating a large, significant energy buyer that qualifies for wholesale purchases. BRCPC buys electricity



INDUSTRY:
Government



LOCATION:
Baltimore, MD



PROCUREMENT PRIORITIES:
Reduce the cost per megawatt hour



ANNUAL SAVINGS
Approx. \$11 million

directly from the wholesale market via a competitively selected retail supplier, Pepco Energy Services. For a fee, Pepco serves as BRCPC's licensed buyer in the wholesale electricity markets.

Enel X worked closely with BRCPC to create a new way of purchasing energy—helping it consolidate its purchasing power and purchase directly from the wholesale markets. Enel X created and developed an innovative wholesale portfolio program that identified and defined roles and responsibilities. Enel X also helped BRCPC interview and evaluate suppliers, and negotiate its final contract with Pepco. Enel X serves as a long-term partner to BRCPC, implementing BRCPC's approved risk management strategy and providing ongoing insights and ideas that help the agency save money and manage energy more efficiently.

The Results

Throughout the process, BRCPC remained committed to learning about ever-changing energy markets, and to making changes in the way it purchased energy. Enel X provided the knowledge, expertise, and experience necessary to create a winning strategy. This partnership generated impressive results—significant annual savings of more than \$11 million.

Enel X helped BRCPC achieve these impressive savings by unbundling electric supply, thereby reducing supplier margins and supplier risk premiums associated with traditional, retail-based, fixed-rate contracts. By purchasing blocks of power from the wholesale markets, BRCPC can:

- > Achieve better year-to-year price stability by dollar-cost averaging its purchases over time, rather than purchasing at one point
- > Obtain lower block pricing by getting bids from multiple wholesale providers
- > Purchase blocks at different delivery points, reducing congestion premiums and managing congestion risk

“Like clockwork, the pumps turned off and we started earning incentive dollars.”

—Brad Gleason, President

Purchase blocks below full requirements, avoiding risk premiums by assuming the volumetric risk, which retail suppliers pass along to cover potential price differences on quantities above or below contracted amounts.

Enel X has enabled savings of 7.5 to 9 percent over a traditional retail approach. These savings are passed directly on to BRCPC's many agencies—from county governments to public schools to museums.

The Benefits

Energy Savings

Savings of \$11 million each year is the primary benefit Enel X's energy supply management services bring to BRCPC—along with a range of other powerful benefits:

A Partner for Innovative Energy Supply Management

With Enel X, BRCPC gains a partner committed to ongoing innovation in energy supply management—providing insights and innovations that help BRCPC get the best possible pricing on electricity for more than 3,200 commercial electric accounts. “Enel X is an exceptional partner,” says Myer. “They're committed to meeting our energy needs. They bring wide-ranging, value-added expertise. And they're always available to us when we need them.” While BRCPC provides clear direction and an approved risk policy, Enel X implements the strategy on behalf of BRCPC. It advises the group on how and when to buy blocks of power. It also provides clear communications about energy costs and issues to all BRCPC agencies.

Eliminating Retail Middlemen

The new Enel X energy supply management strategy enables BRCPC to purchase electricity right off the grid, reducing energy costs and simplifying energy procurement. The unbundled wholesale portfolio devised by Enel X is significantly more cost-effective than a fully bundled retail approach.

Better Management and Control

BRCPC has significantly reduced exposure to the inherent ups and downs of the retail electricity market. With the Enel X strategy, it connects directly to more cost effective wholesale markets, and in a way that offers the agency more control over its costs and risk. It gains a professionally managed portfolio of energy—one that benefits from Enel X's experience and expertise.

A New Role for the Energy Buyer

With Enel X's energy supply management strategy, BRCPC redefined the role played by its energy buyer, Pepco Energy Services. Pepco buys energy and earns a fee for this service, but it doesn't have the broader responsibilities that a more traditional approach would entail. This reduced role for Pepco results in cost savings for BRCPC.

An Award Winning Approach

In 2006, the National Institute of Governmental Purchasing (NIGP) awarded its Innovations in Public Procurement Award to BRCPC. This award recognizes the high level of innovation and accountability that BRCPC brings to purchasing electricity—and the value of the new energy supply management strategy developed by Enel X.

The Future

Working together, BRCPC and Enel X continue to fine tune the energy procurement strategy in response to changes in the energy markets. Overall, the success of BRCPC's strategy has led the organization to add natural gas purchasing to its portfolio, as well as utility bill tracking. It is also considering exploring the addition of heating oil and other types of energy and fuel to its strategy. In each case, Enel X provides the wide-ranging energy expertise necessary to keep costs low.

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—Stephen Myer, Chair