

ENERGY BUYER'S GUIDE

How to buy electricity and natural gas efficiently?

The cost of electricity and natural gas has become an affliction for many companies, institutions, industrial plants and an enormous burden. Especially in 2022 and 2023, when Europe is facing a massive energy crisis, which we have already written about in many of our publications:

The energy crisis one year on

<https://enerace.eu/pl/kryzys-energetyczny-po-roku>

War, Ukraine and energy prices

<https://enerace.eu/pl/wojna-ukraina-ceny-energii>

Causes of the energy crisis

<https://enerace.eu/pl/przyczyny-kryzysu-energetycznego>

How to avoid energy price rises?

<https://enerace.eu/pl/jak-unikac-podwyzek-cen-energii>

How to arrange your shopping, how to be efficient? How to save money? How to avoid big jumps in cost year-on-year? Among other things, these are the questions we want to answer in this guide.

ANALYSE - PLAN - ACT

Are you sure you have everything under control? Are you sure you are acting in the most effective way possible?

The key to better energy purchasing is not only to have a very good knowledge of the market itself, the mechanisms within it, but above all to have an excellent knowledge of what your current purchasing situation is and what needs your organisation has.



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Input data

Gather basic information on the area you want to manage (electricity for Poland/Germany plants, natural gas, etc.).

I suggest filling in a table where you include information such as:

No.	
Name	
NIP	
Name of seller	
Name of facility	
Address	
PPE no.	
Tariff group	
OSD (distributor)	
Annual consumption	
Price	
Contract term	
Termination notice period	

This will help you to know your basic needs:

- you will find out which activities require very urgent action (e.g. the 1/7/2023 contract for certain companies/commissioning sites is coming to an end/ some contracts have already ended and the site in question has "fallen into" a so-called reserve sale at very high prices)

Needs, find out a bit more....

What the picture looks like now may not necessarily be reflected in the future. It is therefore worth consulting the language of what your company is planning:

- Are you planning to buy new machinery and equipment?
- Maybe purchasing a new one from another company?
- Are you reducing/increasing consumption in the horizon of the next year/years?
- Are you thinking about sustainability and 'green energy' to meet e.g. corporate targets?

Electricity/natural gas tender

Firstly, do you already know your contractual position, i.e. do you know until when you have electricity and gas contracts for which companies/consumption points and the significant prices at which you were buying? Great! Secondly, you know your company's expectations. Bravo!

If it is May 2023 and you don't yet have a contract for 2024 or even 2025 or 2026, prepare a tender as soon as possible. It is no longer the case that 'I always tender in November' in November'. It makes sense to start discussions well in advance of the delivery period, even if in fact the market situation would cause your company to sign a contract in November - you will simply be well acquainted with the market, bids, contracts, possible vendor concessions, etc.

What kind of contract and what are you looking for. Tendering, but how...? For this it would be good to know what you want to ask the vendors, And what options do you have? There are many, some examples below:

1. Fixed-price contract for the entire delivery period
2. Part-period fixed-price contract
3. Do you have a lot of consumption points? You may be thinking about the sense of signing several power purchase agreements
4. Contract for a price fixed by the day-ahead market (spot)
5. A contract that allows you to purchase tranches indexed to products listed on the Towarowa Giełda Energii (www.tge.pl) or to leave the unpurchased portion at day-ahead or balancing market prices.

Electricity/natural gas tender

Step 1

Create an enquiry

This can be a word, excel document, which you will ultimately send to energy retailers. This document should include information such as:

- the entity(ies) making the enquiry (company name, TIN)
- sales period
- description of what you are looking for, product, purchase model
- list of consumption points (information on tariff group, point of consumption (PPE) or point of consumption (PPGP) will be useful).
- your historical consumption for the last 12 months, broken down by time zone (ideally, you should add daily/hourly consumption in the case of electricity, or daily consumption in the case of natural gas)
- define a simple timetable, by when you collect bids, when you send the request for proposal (it is useful for people in your organisation to know what you are planning and when).

Step 2

Prepare a list of vendors to whom you want to send an enquiry.

Limit the list to a maximum of 10 traders. A natural choice is the 5 trading companies that emerged from the division of the "Energy Companies" operating in the 5 regions of Poland. However, it is also worth asking other trading companies.

Step 3

Collect offers and compare them.

This is often quite a difficult, time-consuming process, during which you may have a mass of questions for the bids or you yourself will be wondering how to compare an apple to a pear.

There is no ideal way to proceed here, but remember to treat all bidders equally (after all, you want them to take you seriously in the next procedure, right?).

Step 4

Negotiations

Keep in mind your goals you want to achieve i.e. specific expectations.

Talk to the bidders, ask for details if you understand them.

for details, if you don't understand - be persistent, we are talking about a serious budget, we take the subject seriously.

The number of negotiation rounds depends on your approach and the time you have to complete the tender.

Remember that during the tender you are organising, the market does not sleep, prices can change (a lot) every day. So think about whether it is worth 'snatching' another zloty per MWh when the market will 'run away' with 50 zloty/MWh in the meantime... Pragmatism and your goals are the most important thing here.

Step 5

Final offer and contract

You've got it! Best offer for approval - find out in advance what your organisation's energy contract approval process is, who signs the offer/contract? Will it be available in the coming days?

Can the offer/contract be signed electronically? What is the process for entering into/verifying a contract with lawyers in your organisation?

I will say from experience that I know of cases where a contract has been negotiated in a company for six months, and during that time the market has not been kind. This does not change the fact that important issues in the contract for your company need to be secured, and sometimes, unfortunately, certain issues are so important that a lack of acceptance/understanding on the part of the energy retailer can consequently lead to a broken process and no contract with them.

Step 6

Communicate the outcome of the tender

Thank unsuccessful vendors if they ask for feedback on why their bid was not considered the best - let them know the important points, you don't need to go into detail, but highlight areas for improvement in future proceedings. If the winning bid/contract is based on purchases indexed to www.tge.pl it will be very important to track (daily) prices in the market.

Routine is important

As in healthy eating, learning or sport, routine is important - in energy shopping likewise.

1. Create a plan or strategy for buying energy. This is a timetable of how you are to act when prices in the market rise or fall or move in a sideways trend. It is a valuable document that answers many questions including how the cost of energy affects your business, your product, your margins etc.
2. Monitor the energy markets, go to <https://tge.pl/energia-elektryczna-oft> (electricity), or <https://tge.pl/gaz-oft> (gas) and start by looking at how the market is changing for an annual (Base_Y), quarterly (Base_Q) or monthly (Base_M) product.
3. Recommend the purchase to your supervisor:
 - a. when it results from a prepared action plan/purchase
 - b. when you see a price opportunity
 - c. when the price is close to the price budgeted for the following year/years
 - d. when there are significant moments in the market where it will be important to secure a price for your business.
4. Buy a tranche - the contract will set out exactly what to do when you want to buy a tranche (by what time, what product, how, at what price, who to send to, etc.).
5. Prepare your 'billing file', a 'dashboard', e.g. an xls sheet, where you will record all purchases made, count the average price, the amount of volume already purchased, the final simulated price, the average price currently on the market (market benchmark), your budgeted price. It is important to know 'where we stand with purchases' when we are asked such a question within our organisation.
6. Regular meetings e.g. quarterly - it is important to bring energy costs inside our company to the attention of the relevant decision-makers. People in senior positions will not have the time to follow energy price changes very often.
7. However, we know from experience that these people will be keen to find out 'where we stand with energy purchasing' once in a while, what the market is like and so on. It may be a short 30-minute meeting, but it is very helpful if there are unexpected market situations such as we had in 2018 or 2022.

Do not stop looking for new solutions

You've already got your shopping "sorted out" for next year/years. Bravo! Remember, however, that the fact that you now have a contract for 3 years ahead means that next year you have 'only' a contract for 2 years ahead. If your strategy is to have a 3-year contract every year, it means that you are de facto tendering every year to contract this Y+3.

This is currently the situation on TGE.pl:



The energy market is constantly evolving, with new and interesting solutions emerging, such as long-term contracts based on renewable sources, so-called corporate (or virtual) Power Purchase Agreements (c/v PPAs). These offer the chance to stabilise energy prices for 5, 10, 15 or even 25 years and document that your energy 'goes green'. Nevertheless, this is a topic for another guide.

Purchasing green energy for your company

Purchasing electricity from renewable sources is no longer just a matter of personal motivation, but very often a corporate requirement to enable you to continue selling your products and ensure your competitiveness.

Here are a few options for 'greening' the electricity you buy.

1

Self-generation

Producing electricity from photovoltaic panels on a plot of land next door, or the roof/facade of our production facility. Thus, the energy demand at a given hour of the day is reduced by the PV yield. This is a good solution, marketing-wise it looks good and for smaller companies it is as achievable as possible and can largely cover the energy demand from the grid.

Many companies finance through their own investment and end up with an electricity subscription. However, very often this option will not cover all the energy you consume.

2

Guarantees of origin

Greening your electricity consumption can also be achieved through the purchase of a guarantee of origin - a certificate that confirms the origin of energy from a specific source and, as it were, attributes the generation from that source to your consumption. Thus, it is quite simple to cover all the consumption you take from the grid with 100% green energy.

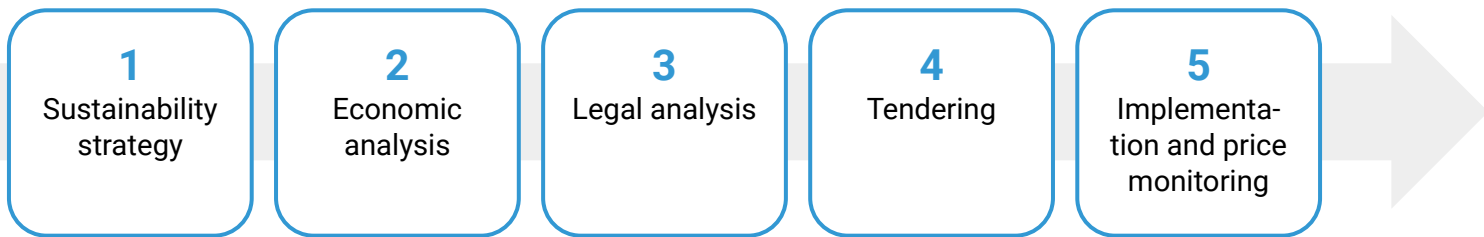
3

Physical or financial PPA (Power Purchase Agreement)

Another way to both guarantee a fixed energy price for 5-20 years and receive a guarantee that this energy comes from a specific green source are PPAs. The idea is that one party builds a PV and/or wind farm and the other party pays a certain price over a given period. Thus, the financing of the investment is ensured and thus banks will be interested in lending support. These are difficult contracts to negotiate, but implemented they provide a lot of peace of mind for a long time.

Which approach is recommended?

It depends on the strategy adopted. We recommend the following steps:



Before proceeding, first define the requirements:

- what goals do you want to achieve?
- by when?

After that, it is worth doing a preliminary analysis of the various solutions to finally decide on the right direction. It is better not to rush here, but to act wisely and efficiently.

If you have questions or doubts or if you like this guide, please let us know. This way we are motivated and willing to continue to support electricity and natural gas consumers!



Best,
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