



7 Potential Pitfalls of Utility Purchasing

Business Utilities procurement should be simple –but there are plenty of pitfalls waiting to trip you up – here are seven to avoid.

1. Assuming you can get the best price

Obtaining best prices for business utilities is a combination of skill, knowledge, determination, negotiation and then re- negotiation with the right Suppliers. However, without industry knowledge and relationships you will not get full access to the market or the best prices.

SMEs are also excluded from the live wholesale market and bulk buy discounts or “Basket Deals” as they do not use enough energy; because of this, a one man band or SME Business will never be able to access the best business prices.

2. Going it alone

Trying to purchase energy alone reduces your options (and savings) available to you. Online prices are rarely the best, and getting one-to-one attention from a range of suppliers to establish competition can be a real challenge for smaller users.

Collective Purchasing (or “basket deals”) schemes offer greater savings, but managing such a scheme is time consuming, costly, and complex; that is why Taurus does it for our clients.

3. Focusing on prices, not savings

The unit price may be attractive, but do you know what all the other “hidden” costs are, and if your quote is fixed or “fully fixed”?

You also need to consider other factors:

- Do you calculate your total annual costs?
- Are there additional charges hidden in the T&Cs of your contracts like RO, FIT and the new CfD and CM charges?
- Are you able to make like-for-like comparisons of the offers you do receive from the Suppliers and the wholesale market?
- Billing mistakes are incredibly common – do you have the time to analyse and discover them?

4. Failing to monitor the market



- The Business utilities market shifts in line with supply and demand, as well as what is happening to the world economy. To get the best prices you need to track the ups and downs of the daily energy prices and make purchases accordingly.
- Do you know WHEN you can and can't buy your business gas or business electricity renewal contract?
- Tracking daily wholesale prices and forecasting requires extensive experience, reliable sources of market data and plenty of time. How much is your time worth?
- But if you don't stay on top of market fluctuations, you won't be able to buy at the lowest prices, consequently missing significant savings in the process.

5. Underestimating the complexity

CfD (Contracts for Difference), CM (Capacity Market), RO (Renewables Obligation) and FIT (Feed in Tariff) are all relatively new costs that many small, medium AND even many Corporate businesses and in house buyers simply do not understand, and change or may steadily increase the cost and complexity of your invoices. Consumer energy tariffs are more complex than ever and business purchasing even more so - you will have to work hard to make the savings you want; which all takes your time away from your business and customers that you should be talking to instead.

Can you spare the time? And do you have the industry knowledge required to make sense of everything, or would you like the peace of mind from an expert second opinion?

The time you spend trying to manage your Energy and other utility purchasing could be better spent on activities that grow your business (talking to current and new customers) and so leaving it to an expert Utility Consultant will benefit you; as we help you to be more successful, and profitable, working with you in partnership.

6. Adopting a short-term energy/ utility strategy

You need to think strategically about future utilities costs and how it fits in to your wider business strategy. Business utilities prices fluctuate over time so you should consider adopting a long-term procurement strategy. Get this wrong and you will end up paying way more than necessary on your bills which can lead to your business struggling to be profitable, or even FAILING!

Considering Renewable Energy Generation and installing Solar PV or other energy generation methods, is also a longer-term strategy to reducing your medium to long term consumption, increasing your sustainability, and hitting future Net Zero and Carbon Reduction targets.

We would advise that your Finance Director talk to Renewables Experts about these solutions



7. Failing to monitor consumption

Your business energy consumption, Water, Telecoms usage and Bulk Tank LPG costs rise and fall according to various factors. For the keenest prices, you need to get quotes based upon your exact usage and also be able to accurately predict future usage to avoid over-payment and hidden penalty clauses within the small print of Supplier's Terms & Conditions (T's & C's). Just to make matters worse, all Suppliers have differing T's & C's. Investing in monitoring solutions, e.g. AMR/ Smart Metering and/or Data Logging systems on your Water and Bulk LPG Gas Tanks will deliver you the information you need to monitor and therefore manage your usage and spend. This leaves you in control of your consumption and will lead to more accurate billing validation too!

Find out more about how The No.1 UK Recommended Business Brokerage, and Experienced Multi-Utility Consultancy could help your business better manage your profit, business strategy and future success of your business?

Get a second opinion from the No 1 UK recommended Energy Brokerage* Taurus Utility Consultants; speak to your dedicated Account Manager now!

www.taurusutilityconsultants.co.uk/how-it-works/

Taurus Utility Consultants HQ: [01325978697](tel:01325978697)

Newcastle/ Gateshead Office: [01914772244](tel:01914772244)

E: advice@taurusutilityconsultants.co.uk

www.taurusutilityconsultants.co.uk/testimonials/

Compiled by Steve Dobson, MD of Taurus Utility Consultants (No1 UK Energy Broker, 2012,13,14,15,16,17,18 and 2019)



