

Benefits of Choosing an Energy Broker

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**DEDICATED MARKET
ANALYSIS**

**TRANSPARENT
SALESMANSHIP**

**CONTRACT
EXPERTISE**

**ON-CALL
CONSULTING**

**ACTIVE
NETWORKING**

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WHY USE AN ENERGY CONSULTING FIRM?

The Top Five
Qualities of a
Reputable Energy
Consultancy

The energy industry is a thriving ecosystem, and across deregulated states brokers work with businesses to secure cost-efficient contract terms and competitive prices from electricity and natural gas suppliers. Quality brokers are a crucial resource for commercial and industrial (C&I) companies that count energy as a major expense. The procurement strategies devised by energy brokers can save C&I clients hundreds of thousands of dollars, and in some case millions of dollars, in a calendar year.

In 2020, oil and electricity prices reached a ten-year low and for the first time in what had been nine months, the market turned bullish. That was the time to lock in prices in order to successfully minimize energy expenditures for the coming months and years; however, this does not mean the opportunity for strategic purchasing has been lost. Rather, it is now more than ever that the energy broker becomes an essential asset: a broker will help clients navigate potential dips in the market to keep utility costs down in the midst of rising prices.



Businesses that wait until their contracts are set to expire or renew before making energy decisions will lose out on this opportunity. The first and most important step for C&I clients looking to actively manage their energy price risk is simply choosing the most qualified broker to take advantage of the market, compile offers from suppliers, and negotiate the best pricing and contract terms. Not all energy brokers and firms operate equally, so here are the five most crucial qualities you'll want to see when vetting candidates for the job.

1. Dedicated Market Analysis

Energy brokers cannot predict the market with absolute certainty, but the best brokers regularly engage in careful data analysis, producing original market reports and bringing to the table their own unique market outlook. Before recommending a purchasing strategy for gas, for example, they may examine natural gas injection and storage charts from the past five years and explain how lower storage capacity will translate to higher gas prices, a factor that should not be omitted when considering long-term contract rates. Rather than only advising according to numbers from the past few months, the dedicated energy broker possesses constantly evolving market intelligence, a strong sense of market drivers and the historical picture over time. These brokers can help businesses craft creative purchasing strategies, such as buying in fractions: if the market goes down, the fractional purchase means that the client will save money with the shift to new lower prices.



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Conversely, if the market goes up, the client has successfully purchased a fraction of energy in advance at a lower price. The top energy brokers eschew easy shortcuts and will never forward cherry-picked articles or cull information from Google to defend speculative recommendations. These energy brokers utilize their thorough understanding of the wholesale energy market to consistently monitor regulatory changes, legislative developments and technological advances, generating valuable industry reports, insights, and forecasts as part of their day-to-day operations.

2. Active Networking

Maintaining relationships with extensive networks of large and small energy producers and suppliers is key to successful energy brokering: the more supplier contacts an energy broker accesses, the more pricing and contract options they will be able to deliver for each client. It is by virtue of these many connections that energy brokers will actually stimulate competition among suppliers. In other words, the broker's network of suppliers affords many options for clients and, perhaps more significantly, forces competition between those options to the client's advantage. While a company without an energy broker may only contact a few suppliers, at most, around the time of year a contract is set to expire or renew,

energy brokers are in contact with dozens of suppliers on a nearly daily basis. A business that does not have the time or resources to shop around and negotiate for lower energy pricing is not in the best position to bargain with suppliers. The energy broker that is well-connected in the industry, on the other hand, gives many suppliers the opportunity to compete for a client's business, and is in a better position to negotiate pricing and contract terms. There are hundreds and hundreds of small supply companies in addition to those that dominate the market; these smaller suppliers will sometimes work with brokers exclusively, and the kinds of contracts they are willing to provide and rates they might offer can be key to a successful, cost-efficient procurement strategy.



3. On-Call Consulting

Every client should enjoy an ongoing professional relationship with their energy broker, as the broker's role extends beyond snagging the best price or lowest cost for a company's energy usage. The highest quality energy brokers actively collect information on the client's previous utilities spending and risk tolerances before ever making a recommendation.

In addition to providing the market intelligence and supplier competition described above, this broker acts as a kind of “on-call” consultant, offering services that include budgeting, auditing, monitoring supplier contract and bills to ensure all charges are valid, and delivering strategic guidance on managing volatile market shifts as well as any confrontations with sudden or dramatic changes encountered by the company. In other words, the broker’s role should never be limited to finding the “best” price around the time a business is due to sign or renew a contract. This is the broker who anticipates a client’s future commercial requirements and what the best value will be throughout the life term of a contract.

4. Contract Expertise

If facilitating a desirable energy procurement transaction is the main event of energy brokering, then the ability to interpret and negotiate an energy contract

is among the broker’s most important requisite skills. As products offered by suppliers, energy contracts and pricing structures exist in different and overlapping categories with labels that range from “fixed” and “flexible” to “block” or “variable.”

The best energy brokers have a strong grasp of the many different types of contracts commonly used by suppliers, are proficient in deciphering formal and technical contract language, and can easily identify fine-print clauses that may drastically alter what seemed to be the agreed upon final price at the time of signing. Every supplier will have distinct conditions such as





bandwidth, material adverse change, and pass-through costs for higher realized demand charges embedded within the language of their contracts, and much of the final document will be determined by current as well as projected wholesale electricity or natural gas prices. Securing an energy broker with superior contract management skills has a large payoff; if a problem arises, the broker is able to communicate with the supplier on the client's behalf to address and ultimately resolve the issue.

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5. Transparent Salesmanship

The ideal role of the energy broker is to act as a third-party advocate, detaching instinct and emotion from the business of energy procurement. When the market is low, customers have a tendency to wait while prices trend upwards, hoping they will suddenly fall back to lower numbers. This all too common instinct misinterprets general market action. An experienced energy broker does not rely on emotions to drive purchasing decisions, instead employing historical data and industry expertise to make informed predictions in navigating bear trends, bull cycles, and market corrections.



Contrary to popular belief, it is not in a broker's interest whatsoever to sell contracts at higher market prices.

With that said, it is prudent to vet potential brokers to find those that demonstrate these five pivotal qualities: dedicated market analysis, active networking, on-call consulting, contract expertise, and, finally, transparent salesmanship. This last quality is significant because clients want to work with energy brokers that will guide them through the smartest financial plays, and these are the brokers who will be the most transparent.

While energy expenses are critically linked with purchase timing, reputable energy brokers steer clients away from buying impulsively or rushing purchases out of fear when there are significant fluctuations in the market. At the same time, these brokers will also caution against waiting until the last minute to renew a contract or negotiate a new one. They are more concerned with offering valuable services and building and maintaining a satisfied client base. High quality energy brokers will not suggest a client "go long" without extensive research and strong data to support that recommendation, and they will share the client's goal of reducing spending and lowering commercial utility costs.



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