



## A Prescription for More Affordable and Sustainable Healthcare Operations: Strategic Energy Procurement

By Paul Shagawat, Co-Founder and Managing Director



Transparent Energy

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Helping large energy buyers procure electricity, natural gas, and renewables is our mission and purpose at Transparent Energy, and over our nearly decade-and-a-half of doing so, we've come to appreciate both the intricacies of each customer's specific needs and the needs of their specific industry. Nowhere is this more true than in healthcare.

And my how the category has grown. Yes, we have serviced **hospitals** across the U.S., but today our healthcare focus also encompasses **urgent care facilities, nursing homes, healthcare associations, healthcare distribution companies, pharmaceutical manufacturers, life science facilities – biotech, biomedical, nutraceuticals, cosmeceuticals – research laboratories, veterinary hospitals**, and their owners, including **private-equity firms**.

Each of these niches in this diverse market rely on energy to deliver their life-saving or life-enhancing care or products. In fact, healthcare is one of the most **energy-intensive** markets on a per square-foot-basis, with the Department of Energy (DOE) noting, "hospitals energy-use intensity is nearly three times that of the average commercial building" and that "healthcare facilities spend more than \$9.7 billion on energy every year and are responsible for 8.5% of U.S. greenhouse gas emissions."

The combination of healthcare's high energy-use intensity and high stakes (lives literally depend on it) makes it unique among all energy users and requires more expertise to procure energy correctly than in other markets. That's in part because healthcare facilities often have on-site



generation capabilities, from back-up generators all the way to their own power plants (which require natural gas to run), and because of that have options when purchasing energy that they may not even be aware of.

These options can deliver **massive savings, reduce risk, and even drive revenue**, all of which can be **used to fund sustainability investments and advance ESG goals**. But making energy a strategic contributor to both the safe, ongoing operations of your facilities and your bottom line depends on innovation. You can have it all; you just need to break free from the status quo and work with an energy expert who can take you there.

## Re-Thinking Energy Procurement

Having purchased billions of kWh of power/electricity, 20+ million therms of natural gas, and hundreds of millions of kWh of renewable energy certificates (RECs), for healthcare entities from ranging from Fortune 10 juggernauts, to private-equity-owned portfolios, to world-class research laboratories, nursing homes, hospitals, and health-care associations, I want to share some insights that will transform how you think about, buy, engage with energy to not only run your operations, but also improve them.

### The Power of Timing

Many healthcare facilities are led to believe that the time to renew their current energy contract(s) is shortly before expiration. Nothing can be further from the truth. Energy procurement is a **proactive** practice, requiring the buyer to be actively exploring its options 12-18 months in advance of contract expiration. Why? When you wait until contract expiration, you become a “price taker” – you have no choice. Energy is a highly volatile commodity. In August 2022, natural gas surged past \$9.00/Dth. In May 2023, it is pricing in the \$2s and \$3s. If your contract was ending in the summer of 2022 and you procured your energy then, you may have paid 3-4X what you needed, a major blow to your operational budget.

Transparent Energy works with healthcare leaders to get in front of their energy needs and monitor the market for the most advantageous times to procure energy well **before** contract expiration. For example, if your facility or facilities have energy contracts expiring any time in 2024, **now** would be an [excellent time](#) to begin your procurement process with us.

### The Power of Choice

Many healthcare operations work repeatedly with the same few energy suppliers, often awarding new contracts to the incumbent. Defaulting to the status quo may feel comfortable, **but it's not a best practice**. At Transparent Energy, we work with a vast number of high quality (i.e., fully vetted) energy suppliers. Many of our healthcare customers are surprised to find we can bring as many as a dozen suppliers, though we average 6-10, to bid on their contract.





Current Bids						
Supplier	12 Month	19 Month	24 Month	30 Month	36 Month	48 Month
	7.507c	7.368c	7.730c	7.683c	7.913c	8.072c
	9.690c	9.440c	9.790c	9.750c	9.970c	10.140c
	7.629c	7.511c	7.812c			
	7.435c	7.284c	7.648c	7.604c	7.875c	8.071c
	7.625c	7.504c	7.824c	7.863c	8.088c	
	7.369c	7.241c	7.578c	7.730c	7.896c	
	7.595c	7.410c	7.784c	7.737c	7.978c	8.126c
	7.589c	7.390c	7.737c	7.724c	7.999c	8.195c
	7.675c	7.502c	7.735c	7.861c	8.145c	8.495c
	7.302c	7.155c	7.477c	7.428c	7.634c	7.812c

Best Bids						
	12 Month	19 Month	24 Month	30 Month	36 Month	48 Month
Best Bid	7.302c	7.155c	7.477c	7.428c	7.634c	7.812c
Supplier						

Expanding the supplier pool increases competition for, and delivers better prices to, your business. So do our real-time auction events. Not only do we attract more suppliers to your critical procurement, we put them to work, bidding against each other on our online platform. The benefits to you? You get to test any number of products and terms to see how the market will price them – in real time – allowing you to pick the product, term, and price that best meets your business goals – and you get to see every bid. Because the suppliers see the bids, too, they



need to sharpen their pencils to win your business, driving down the price you pay. Our process typically saves our healthcare customers 8% compared to their prior procurement methods.

### **The Power of Knowledge**

Because most healthcare facilities have back-up power capabilities, they are eligible for, and can benefit from, many different energy products and programs. At Transparent Energy, we bring our energy expertise down to the site level, understanding exactly what your energy needs and capabilities are at every facility.

And that makes a huge difference.

Two quick examples. Did you know that as much as 30% of your total energy bill is wrapped up in something called “capacity charges”? After the actual unit price of energy, capacity charges are the largest component of your monthly electric bill. Capacity charges, a.k.a. “demand charges,” are calculated by measuring your energy use at times of peak demand on the grid (for example, on the hottest day of the year). By working with an energy procurement expert like Transparent Energy that knows you have back-up generation, you can limit your energy use on high-demand days to **drive your capacity charges to near zero**.

In addition, such back-up generation capability positions you to take advantage of utility demand-response programs, that **pay you** to not use energy from the grid during times of high demand. For large energy users, being able to minimize capacity charges **and** earn money from demand response programs can be a five-, six-, and even seven-figure annual boost to your bottom line.

### **The Power of Green**

When healthcare organizations team with an energy advisor and procurement expert who understands their energy needs at the site level and offers a process to procure energy that factors in those site needs, energy can be procured in a way that drives real value across the organization.

First, through auction-based procurement, healthcare companies can save 8% on their energy procurement while reducing upside risk. Second, by working with such a firm, the buyer can be assured they are purchasing the right product to support their needs and take advantage of their own on-site energy generation to dramatically lower demand charges and gain demand response payments.

When this happens, healthcare energy buyers find themselves in the driver’s seat to **meet their sustainability goals**. All of that energy savings, including new revenue streams, can be used to fund capital sustainability investments, such as on-site solar, or fund the purchase of renewable energy certificates (RECs), which can play a critical role in greening your facilities today. That money can also be used to fund longer-lead sustainability initiatives such as power purchase agreements (PPAs) and virtual power purchase agreements (VPPAs), which plug you in more directly to local renewable energy sources.

Transparent Energy can show you how.



## Conclusion

Healthcare in all its manifestations thrives because of relentless innovation, adoption of best practices, and sweating the details. It's time to apply that same thinking to the energy that powers your operations and the process for buying it. Transparent Energy is the innovation partner you need to ensure the power, natural gas, and renewable energy you need not only keeps the lights on but helps your life-advancing work thrive.

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Want to work with the healthcare industry's leader in energy procurement, one who will advise you on a site-by-site basis across your entire portfolio to get you into the right energy products at the best prices? Want to work with the trusted innovator in energy who can turn your on-site generation into both a revenue generator and a reliable means to lower your monthly electric bills, all while advancing your ESG goals? Contact us today at [LetsTalk@Transparentedge.com](mailto:LetsTalk@Transparentedge.com).

