

Online auctions force energy suppliers to bid against each other in real time, driving down the winning price.



Philadelphia Marriott Downtown

Case Study

Transparent Energy's live reverse auctions enabled the Philadelphia Marriott Downtown to clearly see electricity pricing for 12, 24, 36, and 48 month terms.



Philadelphia
Marriott

Philadelphia Marriott Downtown Turns to Transparent Energy's Online Reverse Auctions for Successful Energy Procurement

Like many big hotels, the Philadelphia Marriott Downtown in Center City, Philadelphia – one of the largest hotels in the U.S. at a full-city-block long, 23-stories, 1,400 guest-rooms, and a 100,000 square-foot meeting-and-event space (and a prominent American Hotel & Lodging Association member) – faced an energy challenge hiding in plain sight.

Electricity (think lighting, outlets, and HVAC for all guest rooms and common spaces) and natural gas (for industrial laundry facilities and kitchens) consistently ranked as a major operational expense, but the hotel's strategy for managing power and gas typically came down to choosing between a couple of prices – that of the incumbent, and perhaps those of an additional supplier or two – as each electricity and natural gas contract neared expiration.

A Proactive Process that Stokes Competition and Visibility

Having seen the benefits of a more proactive and competitive process at other hotel and building assets, the owners of the Philadelphia Marriott Downtown engaged with Transparent Energy to elevate their energy-procurement process to the same high level as the hotel's service and hospitality. With contract expirations pending in January 2023, Transparent Energy thoroughly reviewed the local electricity and natural gas dynamics and brought the contracts to market in late September 2021, a full 16-months before expiration, to take advantage of near-historic low energy prices and significant backwardation in the market (where future prices are less expensive than near-term prices).

To do so, Transparent Energy worked closely with the Marriott's ownership to set pricing expectations, develop and market an RFP, and attract reputable suppliers to bid for the contracts/business. This tightly orchestrated process came to a head on September 29, 2021 when Transparent Energy ran a series of live online reverse auctions (a process where participating suppliers bid against each other online in real time, driving down the price offered for the contract).

Bidding Prices Down

The live auction events were a hit! The electricity auction alone attracted **11 suppliers**, who placed a total of **120 bids** over the course of **23 minutes** on a “capacity and transmission pass-through” product, which fixed the price of the energy commodity but allowed other ancillary components of the electric bill to float with the market. Pursuing this particular energy product was important to helping the hotel capitalize on declining capacity and transmission costs, rather than locking them in at an inflated rate in a “fixed price” product.

The ultra-competitive process provided the hotel owners real-time, 20:20 visibility into how suppliers would price the hotel’s ~19 million kWh electric load for term lengths of 12, 24, 36, and 48 months – **clarity found nowhere else in the market**. With this data in hand, the hotel selected the winning supplier for the term that best fit its budget and risk-management goals, while locking in the market lows that were only available well before contract expiration.

That same morning, Transparent Energy also ran auctions for the hotel’s two natural gas accounts, 87,500s Dth in all, attracting a total of 10 suppliers, who logged 45 bids. Again, the auctions drove prices down, delivered transparent market pricing, and enabled the hotel to fix its energy costs at a very attractive rate.

“Transparent Energy brought a thorough, professional process to our energy needs, one anchored in data and executed through online auctions that force suppliers to really sharpen their pencils to win the client’s business,” said Hotel Ownership. “And, by attracting so many suppliers to compete for our business, Transparent Energy magnified the effectiveness of our procurement. It’s exciting to see suppliers bidding down their prices right in front of your eyes, knowing that every bid down represents avoided operating cost. As an added benefit, we were able to execute the contracts quickly. Overall, Transparent Energy delivers a super-efficient and effective process that reduces the time and effort we as owners need to sink into buying energy, while delivering a superior result.” - **Hotel Ownership**

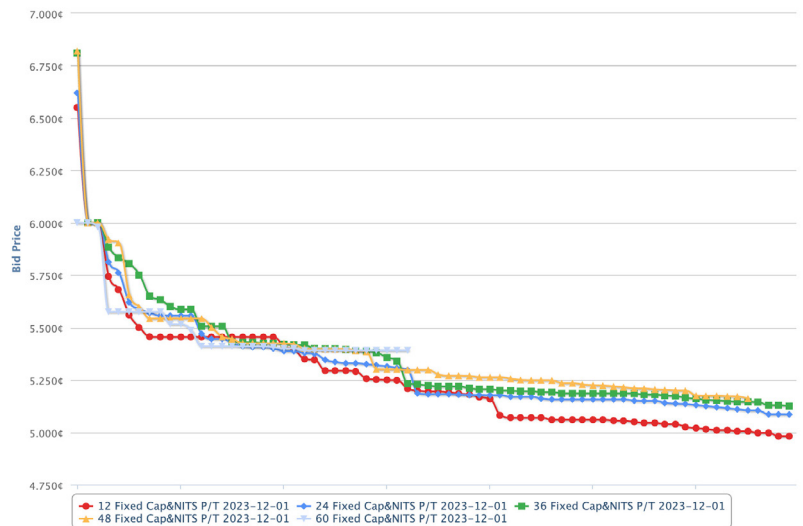
More Superior Results

Since teaming with Transparent Energy on the September 2021 procurement, the owners of the Philadelphia Marriott Downtown added a new hotel to their Philadelphia portfolio, the Sofitel Philadelphia. Combined, the two hotels have ~23 million kWh of load, and Transparent Energy sought to leverage that increased load to the hotels’ advantage.

It worked!

In September 2023, in advance of rising wholesale electricity prices, Transparent Energy brought the aggregated load of the two hotels to market in a single set of auction events that tested 12, 24, 36, and 48 month terms. The new auctions spurred **309 bids** from **12 suppliers** over the course of **36 minutes**, with extreme margin compression coming in the final minutes as three of the suppliers competed feverishly, lowering their prices in rapid succession, to win the business.

The intensity of the bidding that resulted from Transparent Energy’s auction-based procurement process led to new 23- and 24-month electricity contacts, beginning in December 2023 and January 24, respectively, and satisfaction from hotel management that they had gotten the best available price in the market.



Current Bids					
Supplier	12 Month	24 Month	36 Month	48 Month	60 Month
Supplier A	5.744c	5.812c	5.883c	5.921c	5.999c
Supplier B	6.550c	6.620c	6.810c	6.820c	
Supplier C	5.350c	5.410c	5.600c		
Supplier D	5.055c	5.178c	5.223c	5.256c	
Supplier E	5.159c	5.307c	5.357c	5.384c	5.406c
Supplier F	4.981c	5.086c	5.129c	5.171c	
Supplier G	4.997c	5.085c	5.125c	5.161c	5.391c
Supplier H	5.681c	5.761c	5.833c	5.904c	5.979c
Supplier I	5.208c	5.346c	5.416c	5.500c	
Supplier J	5.168c	5.297c	5.340c	5.390c	5.516c
Supplier K	5.190c	5.325c	5.395c	5.420c	5.409c
Supplier L	5.060c	5.157c	5.186c	5.203c	

Best Bids					
	12 Month	24 Month	36 Month	48 Month	60 Month
Best Bid	4.981c	5.085c	5.125c	5.161c	5.391c
Supplier	Supplier F	Supplier C	Supplier G	Supplier G	Supplier G

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