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Listen to this guy Fawkes

By Walt Patterson

As box-office book titles go, *Outsourcing Energy Management* is not *The Da Vinci Code*. It's not even *Proceedings of the Third International Symposium on Nude Mice*. But it might be more important than either. It could, for example, provide the answer to the request by Steve Holliday, chief executive of National Grid, the UK energy group, on 8 May 2007, in an interview with the *Financial Times*.

As the headline paraphrased it: 'Help us sell less power, National Grid tells regulators'. According to the article, Holliday called for a change in the way energy markets are regulated, to encourage suppliers to sell less gas and electricity. Efforts to cut carbon emissions through energy efficiency would fail without major regulatory incentives. 'Energy companies have clearly been motivated by selling units of energy. You've got to turn this completely on its head.' The article concluded: 'In the US, National Grid will spend \$168m (€123m, £84m) this year on energy efficiency measures - mainly helping people to use less energy. Mr Holliday said his group was moving towards being a supplier of "energy management services", rather than just energy.'

He and his colleagues should welcome *Outsourcing Energy Management*, by Steven Fawkes, published earlier this year by Gower. An alternative title might be *All You Wanted To Know About Energy Management But Never Bothered To Ask*. If you had bothered, Fawkes would have been an excellent person to ask. For more than two decades he has been developing and implementing energy management programmes for governments and companies in several countries, most recently as head of energy services for RWE npower. As a consultant to local authorities with large and diverse property holdings, he was able, for example, to cut energy use by 15 per cent across a portfolio of more than 1000 buildings. He co-founded one of the UK's first wind-power companies, and directed a company building low-energy houses. In Romania, working with international agencies, he helped to set up national energy efficiency programmes now in operation.

Fawkes's track record of practical achievement is exemplary. He understands, and has demonstrated that he understands, both how to do it and how not to do it. He also has the happy knack of conveying his vast experience in crisp, concise prose. A book that could have been a dry recitation of 'do's' and 'don't's' becomes instead a pleasure to read. You sense that you're in the presence of someone who knows what he's talking about. He anticipates your questions even before you think of asking them. He also anticipates questions you ought to ask but might not think to.

The book is in four parts. Part I, 'The Importance of Energy', probably has to be included for completeness, but will be long since familiar to anyone who picks up this book. From then on, however, the book becomes both distinctive and absorbing. Part II describes 'The Energy Management Process', laying out with clarity and immediacy the complex and interacting responsibilities that ought to be involved, but all too often are not. Anyone proposing to do energy management in-house may be well advised to think again. As Fawkes prescribes, doing it well requires continuous oversight, meticulous attention to detail and significant budgetary clout within the overall management of the organization. What matters most is investment, not merely commodities.

You can do this in-house, given the requisite resources and skills. But many if not most organizations no longer have them, if they ever did. The alternative is to enlist the assistance of

relevant competence from outside. That too demands care and forethought. Part III, 'Outsourcing Energy Management', asks 'Why outsource?', and shows how to arrive at a suitable answer. It then delineates 'The outsourcing cycle', from initial decision via analyses of cost, performance and risk, procurement and contracting, up to and including possible termination.

Part IV then shows how Steve Holliday and his colleagues among fuel and electricity suppliers can recreate themselves as suppliers of energy services. But they, too, have much work to do to take advantage of the business opportunities now burgeoning. As this column has been arguing for years, we all need to change the way we think about energy, users and providers alike. Fawkes puts it thus: 'Given the need to radically overhaul our energy systems and the emergence of both new technologies and new design techniques, it should be possible to combine these with innovative financing tools to produce very significant reductions in energy use and carbon emissions. This will require, however, a radical approach aimed at producing step-changes in efficiency and technology, rather than the incremental gains usually discussed.'

That means, in effect, a culture change, for both energy service users and energy service providers. As Fawkes says, 'This book ... is a report on work in progress...'; much remains to be done. But Fawkes has made matters much easier for everyone else involved. As well as its lucid and persuasive commentary, *Outsourcing Energy Management* includes many checklists and matrices, sample spreadsheets and tables, sample documents for tenders and proposals, guidelines for negotiations and contracts, references, further reading and online resources. It should be the standard work, not just on outsourcing but on every aspect of energy management, for years to come.

Fawkes and his publishers ought to send complimentary copies to Steve Holliday of National Grid and his fellow CEOs across the entire electricity and gas supply sector, and also to OFGEM and other regulators. If the CEOs are on the ball, ready to seize new business, they should order copies for all their top management. Companies may resist the culture change that Fawkes describes. But they had better watch out for their competitors.

Walt Patterson's new book, Keeping The Lights On: Towards Sustainable Electricity, is now available - see Walt Patterson On Energy, <www.waltpatterson.org> for details.

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