



Greater efficiency supports patient care.

Measure and Benchmark Energy Purchases

All ECM content was independently developed and reviewed to be vendor, product and service provider-neutral.

Description

This ECM provides a recommended methodology for measuring, benchmarking and reporting key performance indicators that can help assure the success of your energy purchasing program. This ECM is not a how-to for purchasing energy.

Project Talking Points

- As detailed in the Energy Procurement ECM, one way for hospitals to reduce their costs is by purchasing energy through third-party suppliers. In order to prove this strategy is effective, one must be able to measure and benchmark those energy purchases.
- Much like energy procurement itself, there is no “one size fits all” strategy to measuring and benchmarking energy purchases. The approach should be organization-specific.
- Success in this area can be defined in a few ways, and it is important for the organization to determine what is most important: beating the market or accurate budgeting. Your organization must be aligned by involving all members of the stakeholder group.
- There is more to measuring and benchmarking energy use and cost than the raw numbers, as they do not account for weather, transmission costs, etc.
- As you learned in the Energy Procurement ECM, understanding how your utility bill works is crucial to being able to accurately assess the success of your energy purchasing program.

Triple Bottom Line Benefits

- **Cost benefits:** Finding inefficiencies in your energy purchasing program will lead to cost savings.





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- **Environmental benefits:** Tracking energy use and cost will potentially increase the urgency to reduce energy use and associated greenhouse gas emissions.
- **Social benefits:** Engaging multiple stakeholders across the organization will increase energy awareness and may, as a result, help prioritize energy reductions.

How-To

1. Determine and engage your stakeholder group. This stakeholder group should include members of the C-suite (e.g., the CEO and/or CFO) who will likely be the decision-makers, the persons in facilities responsible for energy management, the persons in the organization responsible for processing the utility bills and any outside experts who have assisted in the energy purchasing process.
2. Determine the organization's key performance indicators (KPIs) for energy use/cost and make sure these KPIs align with the organization's energy purchasing strategy. For example, if the organization's number one KPI is accurate forecasting of utility cost and has a low risk tolerance, a fixed-cost purchasing approach will align best with this strategy. Some KPIs may include:
 - Utility expense versus utility budget.
 - Utility expense versus market costs.
 - Year-over-year utility usage.
 - Weather normalized year-over-year utility usage.
3. Gather historical utility data from previous utility bills. This should include the amount of the commodity used and pricing both from the utility and the third-party supplier. Twenty-four months' worth of billing data is generally recommended to establish a solid baseline.
4. Gather historical weather data in cooling and heating degree days and establish a "base load" for the facility. Determining the amount of energy in the facility that is impacted by weather will allow a facility to not only more accurately forecast future energy use, but it will also help to normalize historical usage so performance will not be judged based on extreme weather.



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5. Confirm actual performance against goals. Keep in mind that it is fine to have goals outside of the decision-maker's goals and that there are multiple ways to get to that goal. Both reducing price per unit of energy used and reducing overall energy use will reduce the overall cost of utilities. Even if it is not something the decision-makers actively track, reducing energy use is a great internal goal.
6. Remember to speak the language of the stakeholder to whom you are presenting. It is unlikely a CEO or CFO will be interested in the fact that the facility reduced energy by 500,000 kilo-British thermal units (kBtUs). They are more interested in the \$50,000 saved.

Resources

- [ENERGY STAR Portfolio Manager](#)
- [U.S. Energy Information Administration](#)
- [National Oceanic and Atmospheric Administration \(NOAA\)](#)

Regulations, Codes and Standards, Policies

Regulatory issues may determine whether you can purchase energy from a third-party supplier in your region/state, but this ECM is solely focused on measurement and benchmarking once you are already purchasing energy from a third-party supplier.

ECM Synergies

- Energy procurement.
- Establish a baseline for current energy use.
- Perform a utility bill audit.

ECM Descriptors

Energy, Supply Chain

Category List:

- Contracted services
- Energy





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- Supply strategies

ECM Attributes:

- Energy
- Strategies/projects

Improvement Type:

- Alternative sources
- Energy

Department:

- Engineering/facilities management
- Purchasing, materials management and supply chain



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