



# Client Case Study

## RHI Runs Beond's Innovative Reverse Auction to Evaluate Fixed and Flex Contract and delivers 14% improvement

### Our Client

RHI is a globally operating supplier of high-grade refractory products, systems and services, which are indispensable for industrial high-temperature processes exceeding 1,200 °C. They employ around 8,000 staff in 32 production facilities and more than 70 sales offices globally. RHI serves more than 10,000 customers from the steel, cement, nonferrous metals, glass, energy and chemical industries and they produce more than 1.7 million tons of refractory products per year.



### Our Challenge

RHI first engaged with Beond in 2008. At that time, they had enjoyed the cost benefits of exporting from their UK sites following the fall in the price of sterling. However, rising energy costs were putting their exports under severe pressure. By presenting a workshop to the main stakeholders RHI were able to explore the new risk products available from the energy industry and establish a strategy for managing their £1.2m UK energy account.

**Beond**

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**Pushing the  
boundaries in  
energy design**

## The Results

Nine electricity suppliers competed in Beond's fixed-price reverse auction which forced RHI's incumbent supplier Eon to improve prices by 3.8% compared to their initial renewal quote. Despite ferocious competition and relentless underbidding, the incumbent gas suppliers' best fixed bid lost out to Gazprom by just 0.2%.

Having secured the keenest fixed quotations Beond then used sophisticated in house software to automatically assess all other options available for RHI on a like for like basis. These included fully flexible purchase offers, multi purchase contracts and 50% tracker propositions.

Assuming the market remained at current levels the flexible electricity purchase contract could have delivered 3.2% of additional cost savings compared to the best fixed price contract. However, the flexible gas purchase contract was assessed to deliver a potential 14% or £122,135 saving compared to the best fixed price contract.

Beond delivered all the options to RHI and helped them decide their risk management strategy. The strategy involved accepting a fixed price electricity contract and a flexible contract for gas. The rationale behind this decision was to create a natural hedge by fixing electricity prices with a small premium and taking some risk on the potential rewards of cheaper gas spot prices.

Beond will continue to manage RHI's gas spot risk exposure over the coming years. The concern at that time was to monitor the risk drivers and global economic growth concerns which then included Middle East tensions, post- nuclear rush for gas and new gas supplies coming online around the world.

Beond's monthly Price Risk Report will be an important tool to ensure RHI's energy risks are managed going forward and their rewards are met.

*"Beond has again provided RHI UK with new options to manage risks and rewards in an extremely volatile energy market, as they have done for the past 6 years. By using Beond's reverse auction process RHI UK were able to force our incumbent electricity supplier to sharpen their pencil.*

*By understanding all our options, we were also able to develop a strategy and hedge our exposure by using very competitive gas spot prices in a flexible contract. I would fully recommend Beond's methodology and expertise to other industrial energy users as we are not specialists in this market but as a not insignificant part of our costs it is essential to have a trusted and knowledgeable advisor."*

**Alexander Barr (Managing Director)**

## About Beond

With over **500** major energy consumers under our management we have an excellent track record in delivering measurable success.

**25**

No. of suppliers actively participating in Beond tenders

**9**

No. of different suppliers currently used by our large flexible clients

**2128**

No. of live auctions completed in 2015

**27**

Highest number of bids in 2015 for a competitive auction client procurement tender

**25%**

Reduction in non-commodity infrastructure costs through demand management strategy

**15%**

Average potential energy savings identified from ESOS energy audits