



# Client Case Study

## Penguin use innovative Energy Strategy Review approach to drive down costs

### Our Client

Penguin Foods specialises in producing freshly harvested and high quality vegetables, fruits and convenience products for the main supermarket chains and the food service industry. Penguin evolved from a simple green-grower to a leading, international company who now produce over 400,000 tons of finished produce to over 90 countries and supermarket chains around the world.



### Our Challenge

In 2014 Penguin decided to look outside their 7-year relationship with their incumbent energy consultant, for innovative ways to manage their £3.5m annual energy expenditure. The objectives included:

- Increasing the number of suppliers competing for their business when they went out to tender for energy supply contracts
- Resolving tariff and tolerance issues caused by the seasonality of their crop driven business and sporadic gas demand

- Understanding issues regarding gas winter annual ratios
- Maintaining their CCA agreement
- Understanding how to benchmark fixed and flexible contract offers
- Understanding the risks in energy technology offers

After exploring the market for a specialist to take on these challenges Penguin Foods accepted an energy strategy review from Beond.

## Our Approach

After several fact-finding meetings, Beond provided Penguin with a contract reverse engineering exercise and a risk strategy workshop. The contract reverse engineering exercise revealed hidden risk premiums within the contract and six errors in the incumbent broker offer. The exercise also exposed several factors that would restrict competition and pricing improvements during competitive energy tendering. During the risk strategy workshop Beond was able to review a variety of hedging scenarios with the Managing Director, Financial Controller and Chief Engineer, to establish the most appropriate risk preferences for their business. The exercise concluded that Penguin would remove their budget risks and keep it simple by using a fixed price supply contract. Beond then ran an energy tender with a focus on reducing the cost of energy by running a highly transparent and competitive online reverse auction. The Energy Strategy Review also examined Penguin's energy policies and energy technology opportunities which included issues with CCAs and tolerances for installing solar PV.

## The Results

All procurement issues were resolved within 3 months of engaging with Beond. This allowed Penguin Foods to:

- Attract 12 suppliers to their tender process opposed to 2 offered by the incumbent broker (this also avoided paying £650k security deposit requested by the incumbents offers)
- Attract 21 bids to the live reverse energy auction
- Expose a difference of £308k (9.5%) between best and worst market offers
- Force the incumbent supplier from a £69k margin down to a £171 margin to retain the business
- Negotiate satisfactory contract tolerance terms, to meet erratic seasonal demand
- Beat their incumbent broker's best offer by £45k

*"Beond are clearly experts at what they do, but what sets them apart is the ongoing attention paid to our account and their communication with us".*

**Arjan Buschman – Finance 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