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03/09/2011

Energy Management: Key Success Elements

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This article describes key success elements for an energy management program, many of which originate from other industries. *It is no secret that every industry copies ideas from other industries….take the hotel industry, for example. Their yield management and frequent guest programmes were lifted from the airline industry. On the flip side, hospitals and top-drawer department stores have both tried to emulate the very feeling engendered by walking into a five-star hotel, even down to calling their patients and customers "guests".* Is energy management an area where one industry can learn from another? Let's examine how the leaders in this field "do" energy management, and see if there is a gap.

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Treat Energy as a Business Issue… that has a Plan

The first distinguishing feature of companies that practice energy management excellence is that they have a formal, written energy management policy. Along with this, they have formal goals, a formal plan, and formal strategies. If it looks like a business plan and quacks like a business plan, it's a business plan. If it's just a couple of engineering projects strung together, it's no business plan.

Have a "Bottom Line" Perspective
Secondly, they know that they are managing energy in order to increase the bottom line. If a new energy management measure presents itself, it is judged on its net impact on profits, not on whether the current arrangement can be kept up and running for a while longer. For Example- Data centers don't replace servers when the existing units wear out. Best practice energy managers bring the same mindset to replacing energy converting equipment. By all means conduct a life-cycle cost analysis, but don't keep your 1980's chiller on line just because you can.

Consider the Relatively Low Risk of Energy Management Programs/Projects
Energy management leaders also give full weight to an important fact: investments like this are very low risk. If you have a restaurant and change from Japanese to Californian cuisine, expecting to make $1 million more annual profit, you still bear the risk that your neighbor will open a Californian restaurant which the public will like better. But when companies invest in energy management measures with $1 million savings potential, no competitor can take that away – not even one penny of it. In addition, every dollar saved goes directly to the bottom line. Plus, modern energy management techniques will minimise the little risk remaining. This low risk means that energy management investments are well defined and predictable. Instead of the "two year payback rule" (commonly imposed on facility investments), companies which have squeezed every drop of competitive advantage from energy realise that the *longer* they set their payback threshold, the *more* energy savings they will see. Short payback thresholds are for the birds.

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Apply Full Dollarization
The fourth mark of companies you might want to copy is that they count all the benefits. It takes them no trouble to quantify the smaller energy bills. The benefits of longer equipment life are also relatively easy for them to put a monetary figure on, but they also make every effort to put a dollar value on the improved conditions for customers and staff. These are all well-established results from applying state-of-the-

art energy management. In evaluating these dollar impacts, they also uncover the sort of opportunities which allow them to make quantum leaps ahead of their competitors. What if *more* fresh air meant your yoga centers' customers felt better and signed up for another year? What if *more* cooling in your commercial laundry reduced staff turnover by 8 percent? Their first step is to ponder the value of such improvements. Only then can they work backwards to decide how much should be invested to achieve them. They factor in the value of what each month of delay is costing.

Apply Professional Management

It may seem logical to put the management of a company's energy policies in the hands of a technical person. However, it usually is one's business talents, not technical talents, which leading companies look for once they have identified the real drivers in this area. There is more than enough technology available to make your next office building far more energy efficient than your neighbors'. The only real obstacles are managerial and financial, and these are the qualifications needed in the person put in charge of energy management.

Fully Integrate Energy into the Business Process

Lastly, leading companies know that full-value energy management only comes to those organizations that have found a way to integrate it throughout the entire business process. If an energy management program is focused on short-term goals in only part of the business, it will fade away with the next re-organization or business cycle.

Managing energy in a professional manner is not free. Leading companies allocate up to 10% of their energy costs to the management of this expensive resource. Of course they do not see this as a 10% additional cost, any more than the cost of their director of marketing and his or her staff is an additional cost in the marketing budget. The cost of management is often the rite of passage to the best possible returns.

For many companies there is a huge gap between their current energy management practices and what is possible through implementation of key success elements. In fact, identifying the contours of that divide, then putting a value on how much is being lost by not closing it, are the first two steps that all companies need to take. It is worth it to manage energy with the same degree of excellence with as they manage all the other resources marshalled to make their business successful, especially if the energy program's returns are greater than the company profit margin- which is often accurate.

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