



Energy contracts for businesses:

8 tips for a contract you can benefit from



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Foreword

All businesses, from the smallest individual company to the largest multinational, need energy. However, the source, the price and the intensity of energy consumption may vary considerably. Each organisation has their own specific needs and wishes in terms of energy and will therefore seek a made-to-measure energy contract.

However, as you have no doubt already noticed, finding the appropriate contract is not easy. Indeed, the market providing energy to professionals is quite complex and opaque when you are not familiar with the sector. Moreover, the wide range on offer can cause some confusion: will you choose grey, green or dark green energy? Electricity and/or natural gas? Yearly or multi-yearly contracts? The fact is, searching for, and finding, the right partner, as well as a flexible product, is far from easy.

Eneco has prepared this white paper so that you have all the necessary insights. We cannot do much to change the complexity of the energy market. What follows is an attempt to explain each of the internal and external factors that will have an influence on your contract. The eight tips will help you to make the ideal, informed decision for your organisation.

We hope you will enjoy the read. And good luck!

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Tip 1:

Know the professional sector you belong to

One consideration for the type of energy contract you need, is the sector that you belong to. In Belgium, a distinction is made between freelancers and small companies, on the one hand, and larger companies on the other.

Freelancers and SMEs whose **total yearly electricity consumption is less than 50 MWh** (megawatts/hour) and whose **total yearly natural gas consumption is less than 100 MWh**, are subject to the same termination rules as private individuals. This means that you can terminate your contract at any time by simply respecting the termination notice period.



Companies that use more than 50 MWh for electricity, and 100 MWh for natural gas, are subject to stricter rules. In this case, you cannot terminate your contract earlier without paying a termination fee.



Warning!

The termination fee for a professional energy contract is defined contractually and at Eneco. For example, it is equal to at least 3 times the amount of your last invoice, before VAT. If you are an SME with a high energy consumption, you should first check the notice period and the termination conditions of your current contract.

It should be noted that these contracts are usually concluded for several years and the termination notice period is defined contractually each time. Your company's energy consumption is highly dependent on the activity and the sector in which you operate. Companies in certain sectors consume considerably more natural gas and/or electricity. The table below gives an indication of the average cost (euros/year) of energy consumption per sector.

Sector	Energy consumption cost euros/year
construction	114,742
waste treatment	137,451
retail	43,893
events halls – restaurants	20,114
garages	136,376
wholesale	89,058
hotels	55,056
Fitters	21,751
offices:	38,845
logistics	245,398
transport	42,985
packaging	89,366
chemistry	182,646
printing	251,557
plastics	357,761
machine construction	152,788
metalworking	208,058
woodworking	55,321
food	233,797

Included in energy costs are the purchase prices of electricity, gas and fuel.

[\(source: Action plan energy efficiency SME's \(in Dutch\)\)](#)

Tip 2:

Carefully monitor your consumption

When they offer a contract, energy suppliers give a price for your future consumption. In order to do so, they base their estimates on your consumption data, on the one hand, and on what is known as a consumption profile or SLP ('synthetic load profile') on the other hand. In order to estimate your price in an unbiased manner, it is important to be aware of your consumption and know what the consumption profiles correspond to.

Measuring is knowledge

There are different kinds of **meters** that make it possible to monitor your consumption. You can choose a simple electric meter, a night meter, a two-rate meter or even a remotely-read meter. You simply need to request an electric meter from your distribution network manager. They will automatically collect your consumption data and will communicate them to the energy supplier of your choice.

Would you like a quote from an energy supplier? They will ask you to provide your consumption data. If you wish so, you can also **mandate** your new potential supplier, so that they can request your consumption data from the distribution network manager.

Consumption profiles

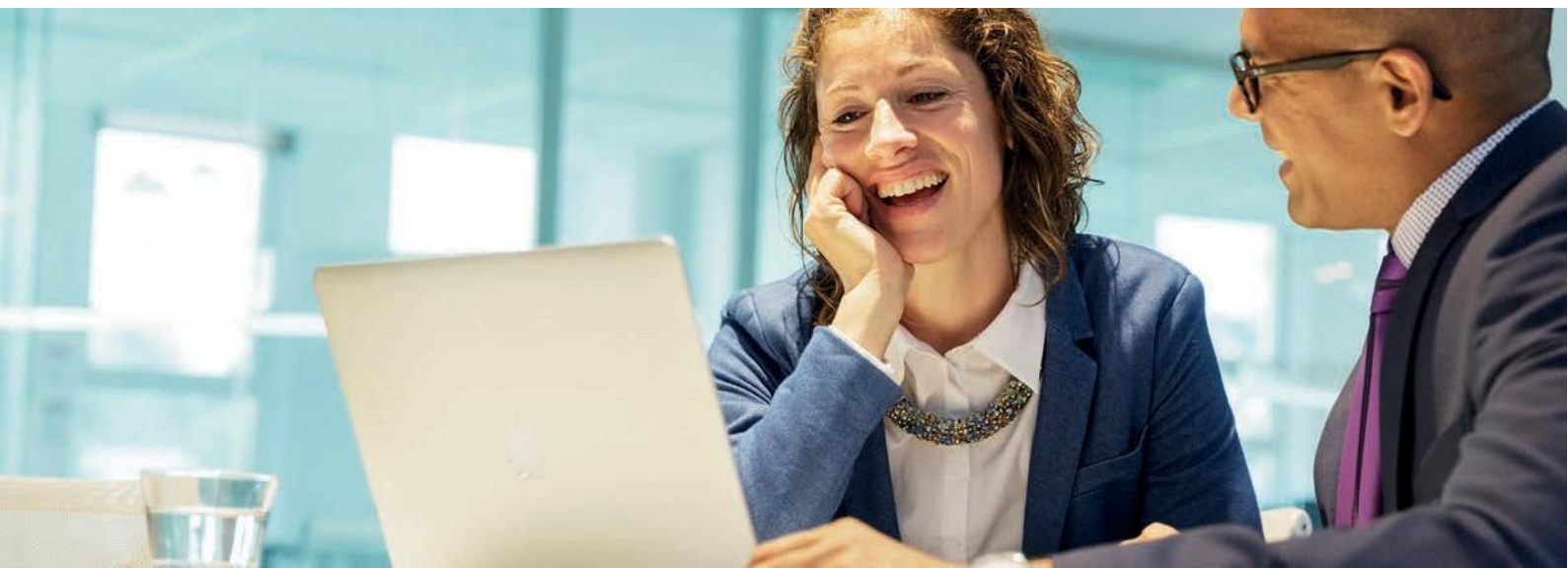
Do you have a meter with an annual reading and would like to request a quote based on your annual consumption? In this case, your energy supplier will not have sufficient data to estimate changes in your consumption. Indeed, do you use more during the day or at night? Sundays and bank holidays? More, or less, in summer or winter? To estimate your consumption as accurately as possible, your energy supplier will apply consumption profiles or SLPs in a standardised manner. These are quantitative graphs and tables defined by the market, that reflect your hourly consumption in relation to your annual consumption.

There are six SLPs for electricity and connection capacity. Knowledge of this capacity will make it easier for your supplier to choose an SLP in order to set the price of your energy.

Worth knowing: these graphs use historical data but also take the calendar (business days, bank holidays, holiday periods) and even weather conditions (sun, wind, summer, winter) into account. You will find the specific estimation rules on the **Atrias** Data Bank website. It goes without saying that you can provide additional data yourself. Here, you should consider your opening hours, peaks in activity, etc.

If you have a meter with monthly or remote reading, your energy supplier will generally have sufficient specific data. At least they will if you have mandated them to request the consumption data from the distribution network manager. In this case, they will be able to base their made-to-measure price offer on your true consumption profile.

Tip 3: Check your current contract on time







When you buy energy as a professional, you will often sign a multi-year contract (anything from 2, 3 or even 5 years). This solution represents a potential hazard. For example, there is a risk that, a while after a change in your company staff, the provisions of the contract are no longer common knowledge internally. However, it is important for (new) managers to be fully aware of these provisions, as professional contracts are subject to stricter termination rules.

Take the clauses into account

An energy contract for professional clients may contain an automatic renewal clause. In this case, the energy supplier is mandated to renew your contract - without notice - under the current conditions. It goes without saying that in the case of a change in contractual clauses, the supplier must contact you in order to renew your contract.

Ideally, you should terminate or reconsider your contract well in advance. We advise you to do this roughly 6 months before the expiry date.

Check your energy contract for:

-  the **duration**
-  the **notice period**
-  the **expiry date**
-  the **contractual prices**

Not all energy contracts for professional clients include an automatic renewal clause. If this is the case, it is not necessarily negative. Depending on the impact of your energy costs on your company's overall costs, this clause can make life easier and help you to make savings. You will save time because everything is handled automatically.

Tip 4: keep an eye on the market



Gas and electricity are negotiated on the European wholesale markets. Prices **fluctuate** and are subject to **macroeconomic events**. These may include events such as political elections, war in the Middle East or cracks in a nuclear reactor. If the market fears a strong decline in supply, prices will increase. Energy suppliers obviously follow these fluctuations very closely.

Similar to a mortgage

The price that you pay for the energy you buy therefore strongly depends on when you sign your contract. This can be compared to signing a mortgage: as with interest rates, the price depends on when you sign.

It is worthwhile following the market to choose between a **fixed price** and a **floating price**. Do you consider that prices are high and are likely to come down in the near future? In this case, a floating price is an interesting option. Is the market at a historical low? Then it would be advisable to opt for a fixed price for the duration of your contract.

Tip 5:

Think carefully about your pricing scheme

When you sign your electricity contract, you choose between a fixed tariff and a variable tariff.

If you choose a fixed tariff, you will follow the forward market price ('**futures**'). If you choose a fixed tariff, you can set the price for the entire duration of your contract (Fix) or set it at different times for a specific period during your contract (Click). In both cases, you definitively determine a price before your delivery period begins.

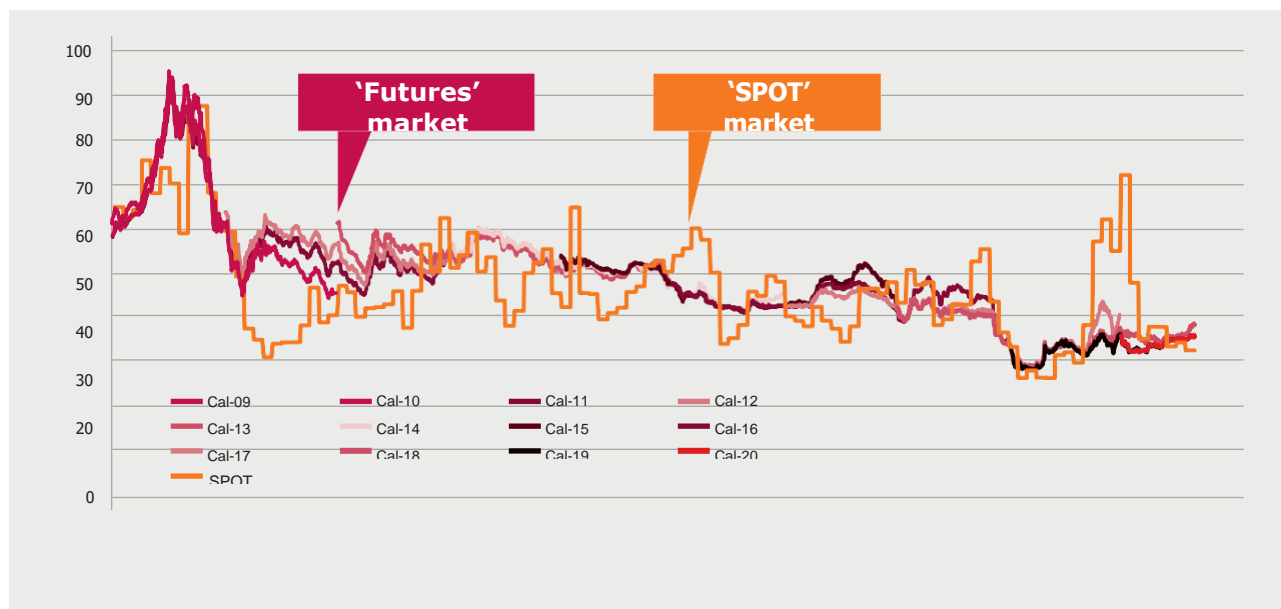
With a variable price, you follow the '**SPOT**' market and pay the price at the time of consumption. In this case, you generally pay a monthly **unit price**. It is based on the arithmetic average or established according to the daily published price profiles for your monthly consumption.

Depending on the type of meter, this consumption will be your actual consumption, validated by the distribution network manager, or an estimated consumption, validated by the market. It is important to know that the price is only known at the end of the delivery period, not in advance.

Futures or SPOT

The choice is entirely up to you and, of course, depends on your budget margin. With a fixed tariff, **you will avoid any surprise**. With a variable tariff, you benefit from any **price decrease**. But you may also have to face **price increases**.

The graph below illustrates how the 'futures' and 'SPOT' electricity markets have evolved since October 2008.



Tip 6:

Analyse your 'energy mix'

In addition to the price and services, the origin of your electricity is an important factor when choosing your supplier.

The VREG's (the Flemish regulator for the electricity and gas markets) **Origins Comparison Tool** is an excellent tool, for both individuals and companies to:

1. **Check the energy sources that each supplier offers;**
2. **Draw a comparison between suppliers based on the sources of energy they offer.**

Grey energy versus green energy

Grey electricity is electricity produced using **fossil fuels**, such as petrol, natural gas and coal. Green energy is produced using **renewable sources**, such as biomass, hydraulic power, sun and wind.

Guarantee of origin

You can opt for green energy thanks to a system of guarantees of origin. Indeed, for each determined quantity of green energy produced, there is a corresponding guarantee of origin or GO. In other words, a certificate that guarantees the **renewable source** of the electricity. Such GOs are negotiable: suppliers can buy them from producers in order to offer green energy.

Consequently, there is a distinction between grey energy suppliers and green energy suppliers.

Some green energy suppliers have their own production capacity and make sustainable

investments (this might be building and operating wind turbines and/or solar farm, for example). Others have no production capacity and simply buy GOs in order to prove that they are selling green energy.

A last piece of advice to check your supplier's commitment to green energy

- ✓ Check if they are recognised by independent organisations (WWF, Greenpeace, etc.).

Green energy at Eneco

Eneco offers its clients 100% green electricity, produced using 89 wind turbines and 250,000 solar panels. With a score of 18/20 they are rated near the top of Greenpeace's sustainable ranking, which rates Belgian energy suppliers according to their sustainable nature.



Did you know...

Close to one third (28%) of electricity supplied in Belgium in 2015 was from renewable sources? (Source: VREG OREG BRUGEL and CWaPE 2015 joint report)

Tip 7:

Request a clear invoice

Each energy supplier uses its own invoice template. It is important that each invoice is clear and comprehensive, and that you can easily identify the subsections within the **main sections**:

1. The price of your energy

A number of elements make up the price of your energy.

- **Flat fee:** a monthly or yearly flat subscription fee that many suppliers invoice to cover their administrative costs (invoicing, customer service, etc.).
- **Power limit:** this is a 'fine' that some suppliers invoice you for your highest kW peak of the month.
- **Unit price:** the cost of energy that you pay per unit consumed (MWh). Depending on the product, the unit price is a fixed price or the result of a price scheme. Depending on the kind of meter you have, you will pay the price for the day-time hours and night-time hours, or exclusively for night-time hours.
- **Contribution for sustainable energy:** this participation in investments for producing green electricity is requested by the Walloon, Brussels and Flemish public authorities. Everybody must pay these contributions, either a client with a grey or a green supplier. Warning: some suppliers do not clearly indicate these costs. Or green electricity certificates are indicated on the invoice in the form of an administrative fine.
- **Guarantees of origin (GOs):** if you choose green electricity, you will have to pay for the guarantees of origin. They are often (but not always) included in the unit price.
- **Network losses (or transmission costs):** when electricity is transported, part of the energy is lost as heat. This cost is usually included in the unit price.
- **Distribution and transport costs:** you will pay the cost of distributing and transporting energy to your home or company.

2. Taxes

Finally, you will also pay a series of taxes imposed by the federal authorities and the Walloon and Brussels authorities. Your energy supplier collects taxes and transfers them to the authorities. The energy supplier have no say in these costs.



Warning: monitor the cost of your reactive energy. When the ratio between unproductive energy ('reactive') and productive energy ('active') is too weak (in technical terms: when the cosine phi is less than 0.9) your network manager will charge you **a fine**. Your supplier includes this fine in your invoice and generally mentions it in the distribution network tariffs. By means of an energy audit, or by installing a capacitor battery, you can keep the quantity of reactive power, that cannot be converted into heat or movement, to a minimum.

Tip 8:

It is not the price, but the service that makes a difference

When you sign - often for several years - a professional client contract, you imagine that your case will be closely followed throughout the period. But is this really true?

We would like to give you one last piece of advice, perhaps the most important of all: choose your power supplier not (only) for the price but (also) for the service. Good management can lead to interesting savings because the right actions will be carried out at the right time.

Is your contract nearing its term? Take a time to conclude whether you have been satisfied with the service over the last few years. The following questions will help you analyse the situation:

Contact

- ✓ Is there a central point of contact available to answer?
- ✓ When you contact them, do you stay on hold for a long time?
- ✓ When you get in touch, do you receive specific help or are you generally transferred?
- ✓ Does the supplier also get in touch with you regularly?

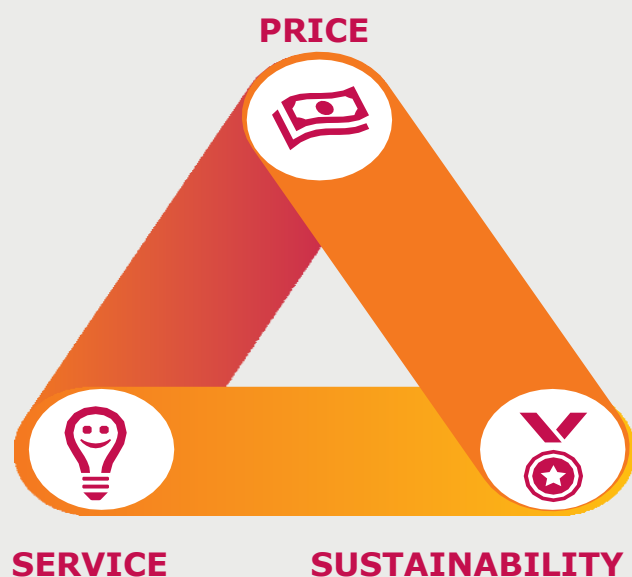
Market opportunities

- ✓ Does your supplier provide enough information concerning the energy market?
- ✓ Are you proactively informed of market opportunities on offer

Administration

- ✓ Can you express your preferences concerning invoicing (separated by site, e-invoicing, etc. ?
- ✓ Are your invoices clear enough?
- ✓ How much time do you need to spend dealing with your energy matters?

3 elements for choosing your supplier





Conclusion

As this white paper shows, many internal and external elements contribute to determining the price of your energy and the nature of your contract. Our 8 tips are intended to provide you with a better overview of these elements and a better understanding of your own consumption, energy mix and invoices.

This white paper is intended to serve as a manual, a guide and a check list for you. You can, of course, also ask us any questions.

For further information, advice and tips for energy savings and an overall view of our services, please go to eneco.be/en/business or call +32 78 15 61 61.

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