

Leading Italian cement producer negotiates 865 GWh of electricity contracts

Buzzi Unicem, a public company listed on the Milan Stock Exchange with a yearly turnover of €1.5 billion, is the second largest cement producer in Italy and the seventh largest cement group worldwide.



The Group manages 46 cement plants in Italy, Germany, Czech Republic, Poland, Ukraine, Russia, USA and Mexico.

In August 2004 EnergyQuote approached Buzzi Unicem's Italian branch, which is responsible for 12 production sites all over the country, accounting for almost 900 GWh of electricity consumption per year.

Up until then, Buzzi Unicem Italy had taken a traditional approach to energy procurement: the negotiation lasted up to 2 months with the 4-5 suppliers capable of supplying the whole 860 GWh. The company relied on its contractual power for securing the best deal.

Buzzi Unicem Requirements:

- To procure electricity for 12 Italian sites, consuming 865 GWh per annum.
- To minimize an annual expenditure of almost €50 million in raw electricity contracts, representing over 20% of the total production cost
- To reduce the high transaction costs arising from a 1-2 month long negotiation
- To improve transparency and competitiveness in the energy purchasing process

The company had been experiencing the drawbacks associated with an increasingly competitive Italian market: many new interesting buying opportunities implying more difficulties for the energy buyers to effectively compare different pricing schemes and time band structures on a like-for-like basis. Buzzi Unicem Italy decided to use EnergyQuote to manage its 2005 electricity tender.

EnergyQuote proposed that Buzzi Unicem implement a different approach to energy procurement, designed to suit the specific requirements of the company.

EnergyQuote's Offering:

- More than 12 years of experience in the UK and 9 other West European markets.
- A team of 63 energy specialists covering 7 main European languages.
- A group of renowned analysts able to identify when it is the best time to buy energy in every West European country.
- Capability to dedicate a task force of 10 people to manage the e-tender process.
- Solid relationship in place with all the main active suppliers in every European deregulated energy market.
- A web based reverse auction platform allowing suppliers to bid multiple times during a day-long negotiation.

EnergyQuote's Proposed Approach to Energy Procurement.

There were three phases to EnergyQuote's procurement solution for Buzzi unicem. These were the procurement strategy, tender preparation process and the actual tender event.

The Procurement Strategy

- Assisting the company in defining its supply requirements and approach to risk.
- Providing market intelligence support for understanding which of the many “products” available in the market (fossil fuels indexed, power exchange indexed, fixed, linked to regulated market, etc.) would best fit Buzzi Unicem’s energy purchasing strategy.
- Selecting the best time to go to market, in order to capitalise on favourable market conditions.
- Maximizing competition by tendering each site individually, in order to allow smaller and local suppliers to compete against large national and international operators.

The Tender Preparation Process

- Inviting the suppliers to tender through a “Request for Quotation” clarifying the client’s supply requirements (price indexing, balancing regime, etc.).
- Gathering, verifying and cleansing the complete 12 months’ 15-minute consumption data for each site.
- Providing suppliers with the complete consumption data, allowing them to tailor their offers to each site’s profile.
- Giving suppliers flexibility to propose their own tariff structures for maximising the competitive options.

The Tender Event

- Launching a 2 day e-tender, more suitable to Italian market conditions.

- Verifying the offers to make sure they matched the client’s requirements.
- Presenting the client with up-to-date ranking of the quotes on the website.
- Providing suppliers with real-time feedback on their ranking and competitiveness.
- Allowing participating suppliers to bid multiple times up to tender deadline.
- Verifying all the suppliers’ terms and conditions on behalf of the client.
- Consultatively supporting the client’s contract allocation decision, to assist in the decision making process and to ensure all necessary formalities are complied with.

The tender, run in mid November 2004, proved successful by stimulating supplier competition and allowing the client to obtain the best possible price.



Taking the next step