

# **Making Wise Energy Decisions**

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## Highlights from the 2002 ZECO Inter- Continental Energy Conference

What would happen if electricity in BC was no longer provided by a crown corporation? Where is the price of natural gas headed? If it rises, will electric rates follow the same trend? These were some of the questions that were tackled at ZE Power's 5<sup>th</sup> annual energy conference in Vancouver.

Although most of the conference delegates were from the energy supply industry, all of us in the healthcare facilities business need to become informed about energy economics. In BC, we straddle the historically stable and predictable electricity utility services and the more turbulent and less certain oil and gas markets. While everyone in BC struggled with high gas prices a few years back, we were insulated from the turmoil that California and even Alberta experienced with their "open" electricity market. As we wait for the provincial government's new Energy Policy, it would be worthwhile to reflect on some of the wisdom imparted by the conference presenters.

What will happen with gas and electricity prices? Of course, nobody knows for sure. If you don't think it's worth your while to even speculate, think again. Many health authorities have already had to make tough choices on the type of gas supply contract they sign – fixed, variable, blended, etc. To make "smart" decisions, you have to a feel for where prices are headed.

A number of speakers addressed the complexities of energy price forecasting. Some organizations (that have large energy bills) and energy suppliers do their own forecasting. Powerex is a good local example. The other option is to hire an energy expert. These energy "analysts" develop models that consider energy price "drivers". Drivers include economic activity, weather, power capacity limits (both generation and distribution) and international events. Some of these models integrate thousands of such data points per second where energy is actively traded.

An energy analyst provides price forecasts with a range of probable outcomes. You as the energy or facility manager then need to evaluate this information in terms of your building portfolio. For example, what could be done if electricity prices suddenly shot up? Would on-site power generation make sense?

None of the presenters felt the "crazy" energy prices experienced a few years back will likely be repeated, at least to the same magnitude. However, many pointed out that some of the largest private energy suppliers are highly undercapitalized due to the recent market downturn. Continued concerns about another "California" have brought pressures on governments to look at

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imposing further regulations to what many refer to as the “de-regulated” energy market. So while serious risks remain, new regulations should help moderate the volatility.

Whether BC adopts an open electricity market or not, most building owners will have to remain sensitive to gas markets. The ZECO conference certainly helped alert delegates to make prudent choices in their energy contracts.

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