Case Study: Strategic Sourcing - Data Center

A Global Data Center Leverages Flexible Power Sourcing Approach, Saves $9.5 Million and Counting

Many companies find that budget certainty is more important to their corporate risk strategy than beating the current market price. However, locking prices for extended periods of time can sometimes be beneficial, but is almost always expensive. Few companies realize that there are better, more flexible ways to achieve budget certainty while also realizing lower energy costs.

Situation
A global data center with more than 100 sites around the world would typically lock 100% of its electric power price for 1-3 year terms and pay the associated premium. Since the company passes its power costs through to the customer, it wanted to ensure it could accurately predict operational expenses and wouldn’t lose money. Although power suppliers charge a premium for this type of contract, the company was willing to pay to achieve budget certainty. Schneider Electric knew there was another way to achieve these results and still lower energy costs.

Leadership
Schneider Electric recommended its client secure a base contract with a supplier that would allow the company more purchasing flexibility for its Singapore facilities over the next three years and separated the management fee costs from the actual power costs to achieve more price transparency. Not only did Schneider Electric expect to lock in the basic terms, conditions, and management costs for all future power purchases, but the company also wanted to negotiate the currency exchange rate and capture every savings opportunity. After conducting an RFP to select the best supplier, Schneider Electric negotiated the terms that would allow the actual cost of power to be set as the company decided to lock certain percentages when market opportunities became available. Furthermore, Schneider Electric experts used leverage gained by other suppliers’ RFP responses to get the preferred supplier to waive required security deposits from its base contract. This saved a total of $1.2 Million from deposits alone.

Results
Schneider Electric analysts monitor for optimal market conditions and make recommendations that its client lock portions of its power spend for future terms covered by the base contract. Each time a recommendation is made, prices from multiple suppliers are vetted and leveraged to ensure the most favorable price and percentage is locked. This approach has saved the company $5.8 million within two years at its Singapore facilities. With the program’s proven success, the company has implemented similar strategies for sites located in other global markets (including the United States, Australia, and the United Kingdom) saving an additional $2.5 million.

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