

Facilities Management from A to Z



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U tilities

Utilities are the second highest group of costs in the facilities budget after rent and need careful procurement and management. Communications, energy and water are all technically complex utilities requiring a large degree of specialist knowledge to manage effectively. Efficient utility management is essential for the control of costs and the reduction of CO2 emissions.

There are also a number of statutory instruments relating to utility consumption that affect facility managers including the Climate Change Act 2008 and the Environmental Permitting (EP) Regulations. These new regulations are aimed at assisting the UK to transition to a low carbon economy and make existing legislation more efficient.

Following privatisation in the 1980s all utility providers in the UK are regulated through a number of independent agencies. These regulators monitor both the quality of service and environmental impact of utility providers as well as ensuring that charges are fair.

Despite this the number of tariffs on offer and their complexity can be very confusing. For this reason many organisations choose to retain specialist consultants to manage utilities procurement on their behalf. A utilities consultant will advise on tariffs and choice of suppliers where appropriate based on their expert knowledge of current market conditions.

Many suppliers offer fixed price tariffs which set unit charges for the duration of the contract. This type of contract provides budget certainty but offers no option to re-price during the contract's duration to take advantage of downward price movements. As prices are known from the outset, there is no risk associated with fixed-price contracts. The down side to this approach is that prices may be fixed for the contract duration when they are particularly high, thus disadvantaging the client.

The benefits of such cost certainty need to be balanced against the need for flexibility to take advantage of falling prices. However more flexible solutions may also expose the portfolio to sudden price rises. These issues should be considered in a utilities risk management strategy based on the clients knowledge of their operation and the consultants view of future market trends.

Utility invoices need careful checking to avoid overpayment and consumption needs to be closely monitored to ensure that tariffs remain appropriate. Initiatives to reduce consumption will reduce costs but total consumption must be monitored to identify trigger points for possible tariff renegotiation

The UK water and sewage industry is regulated by OFWAT www.ofwat.gov.uk . The telecoms regulator is OFCOM www.ofcom.gov.uk . Electricity and gas markets are regulated by Ofgem www.ofgem.gov.uk