

Demystifying energy procurement in the education sector

How to make informed procurement
decisions in state schools and
Multi-Academy Trusts



Making sense of energy procurement

Energy is essential to the daily operation of a school – from lighting classrooms, to powering computers and equipment, to heating and cooling buildings. With budgets under more pressure than ever, securing the right energy contract and supplier has never been more critical. An informed decision helps protect the resources needed to support teaching, staffing and a thriving learning environment.

Demystifying energy procurement in the education sector outlines the key areas for state schools and Multi-Academy Trusts to consider when procuring energy. Whether you're a procurement specialist, or procurement forms part of a broad range of responsibilities, this white paper will help you make better and more informed decisions by understanding:

- Energy procurement essentials
- How to choose an approach to fit your needs
- Renewable energy and more
- Pitfalls to watch out for
- Five things to look for in an energy partner



Energy procurement essentials

Managing energy costs is a strategic decision that affects your entire school's budget. From navigating complex contracts to understanding market volatility, energy procurement is about more than just chasing the lowest price.

Energy procurement: what is it?

Energy procurement is the process of sourcing electricity and gas contracts for your school or Multi-Academy Trust. In its simplest form, it's about finding the best price for the energy your school needs to operate day-to-day.

But the realities are far more involved. If you are responsible for procurement, you need to consider the suppliers available, how the market might change, the contract terms, the pricing structures, the services being offered and whether the overall package being proposed falls in line with the needs of your school.

It's a lot to consider – especially when procurement is a task that sits alongside broader finance and estate management responsibilities.

Energy costs are significant

Energy represents a significant portion of a school's annual budget. After staff costs, it is one of the largest outlays your school will make each year. So a decision here will have significant implications on how much budget is available to spend elsewhere.

Why do prices go up and down?

Energy prices fluctuate constantly due to the wholesale energy market, where electricity and gas are bought and sold. Energy prices tend to rise when demand is high – such as during cold winter months when heating systems work harder – and fall when demand is lower. However, it's a common misconception that buying energy in summer is always cheaper as seasonal trends are typically already factored into future prices. Markets respond more to deviations from expected conditions – an unpredicted cold snap driving prices up or an unexpected mild winter causing them to fall.

Global events – such as the Russia-Ukraine conflict – can have dramatic impacts on energy markets. Russia was a major supplier of natural gas to Europe and the disrupted supply led to sharp price increases that affected energy markets worldwide. Although energy prices levelled off across 2023 and 2024, they are still significantly higher than pre-pandemic levels. Uncertainty caused by trade wars as well as events in the Middle East will continue to cause market volatility.



In the education sector, we find that having budget certainty is a major factor in energy procurement decision-making. With energy costs such a significant overhead, decision-makers want to know how much energy is going to cost before they are setting aside their annual budgets. Otherwise, it's not easy to determine where to allocate resources for staff costs and everything else."

Chris Jermy

Director of Customer Success, Zenergi



**£630
million**

**Spent on energy
by schools in
England (2022-23),
Department for
Education**



**Significant
cost**

**After staffing, energy
is one of the largest
annual outlays**



Choosing an approach to fit your needs

Deciding what falls in line with your needs means weighing up a number of key decisions. It's important to determine what type of relationship you want with your supplier and what type of contract will best serve your aims.

There are three main routes to purchase energy for your school.

1. Directly from energy suppliers

You can purchase energy directly from major suppliers, such as British Gas or EDF. The main advantage of this approach is direct control over the procurement process and relationship with the supplier. However, this requires significant internal expertise to understand market conditions, navigate complex contract terms, comply with the Procurement Act 2023, compare different offers and ensure competitive pricing.

2. Via public buying organisations (PBO)

You can also participate in collective purchasing arrangements through public buying organisations. This gives you access to pre-negotiated energy contracts alongside other schools. In theory, collective buying power helps to secure competitive rates and a straightforward procurement route. However, this one-size-fits-all approach provides no transparency of future pricing which makes budgeting difficult. And without ongoing support, invoicing errors and incorrect charges are more likely.

3. Via an expert partner or broker

You can choose a specialist energy procurement partner (such as Zenergi), offering access to expert knowledge and market insight. Acting as intermediaries between schools and energy suppliers, these organisations use their expertise to secure competitive prices and manage the procurement process. This offers a number of advantages: specialists understand the energy market, have established relationships with multiple suppliers and can negotiate favourable terms due to their knowledge and buying power. In some cases, they will also take care of the administrative hassles of procurement too – helping you navigate evolving energy compliance and regulation issues as well as providing ongoing services to save you time and protect your budget, such as bill validation.

What's best for your school?

It really depends on your internal expertise and specific energy requirements. However, many schools find that working with a specialist partner provides the optimal balance of expertise, competitive pricing and administrative support.

Understanding contract types

It's also important to consider the type of contract – or strategy – you want to employ to procure the energy:

Fixed procurement

Fixed procurement locks you in for a set period of time, usually one to three years. The price is fixed for the duration of the contract so all the risk is carried by the energy supplier.

- **Pros:** Usually less complex and provides budget certainty as the price is known up-front for the length of the contract, which also protects you from market spikes.
- **Cons:** As there is no risk to you, prices will generally be higher and you will not gain from lower prices should the energy market fall.

Flexible procurement

Flexible procurement allows you to control the amount of energy you buy and when you buy it. These contracts also allow for full transparency on non-commodity costs and supplier administration charges. The main advantage of these contracts is that they allow you to benefit from downward movements in the wholesale energy market.

- **Pros:** Greater potential to save money by benefitting from market dips.
- **Cons:** Requires active management and market monitoring, so expertise is a necessity.

What about pass-through?

In some cases, you may be offered a pass-through version of the above contracts. Certain costs – like transmission, distribution and government charges – are 'passed through' directly from the supplier to you, instead of being pre-fixed in the contract price.



One of the key advantages of a flexible contract is that it provides multiple opportunities to purchase the energy. This means you're not committed to a price on one particular day, as is the case with a fixed contract."

Alex Payne

Director of Energy Markets and Procurement, Zenergi

Renewable energy and much more

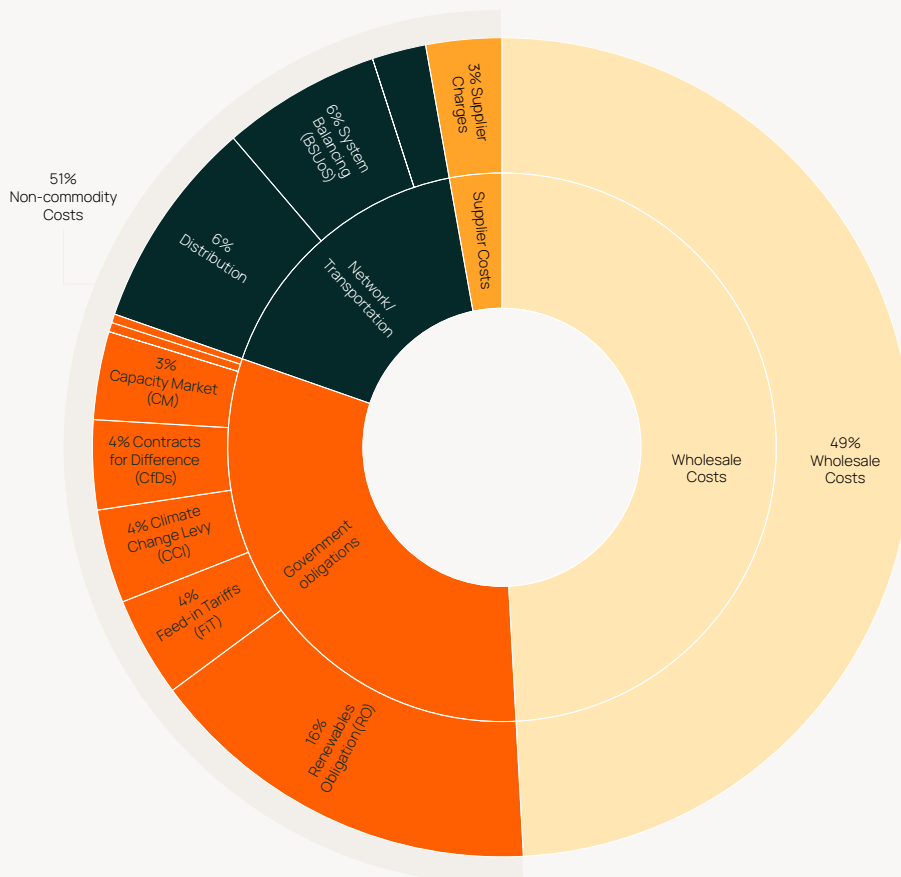
There are many other considerations that should be factored into your thinking too.

The role of renewable energy

Your school is mandated to have a climate action plan in place by the end of 2025. Choosing an energy supply contract that uses renewable energy can make significant inroads into your decarbonisation goals. There are numerous options available – from zero carbon to REGO-backed green energy and some suppliers will even name the source of the energy.

Non-commodity costs

Typically, only around half of your energy bill relates to the actual wholesale cost of energy. If you choose a contract with pass-through charges, your bills might fluctuate due to market or regulatory changes, which makes budgeting a lot harder.



Note: This is an indicative representation to illustrate the breakdown of costs within an electricity bill. The figures will fluctuate dependent on metering type, location, prevailing rates and actual wholesale cost of energy secured.

TCR bandings

TCR (Targeted Charging Review) bandings, set by Ofgem, determine how much a school pays in fixed electricity charges based on its highest energy use. It may be possible to lower costs by reducing capacity or usage, but this isn't always a good idea – especially with future plans to decarbonise. It's best to get advice from an energy expert before making any changes. The next banding update is in April 2026, so it's a good idea to plan ahead.

Half-hourly meters

Market-Wide Half-Hourly Settlement (MHHS) will make it mandatory for meters to record consumption half-hourly in schools by May 2027. This will give you access to powerful data that can help you spot waste and find ways to save energy and money.

This fundamental change will have a significant impact, particularly to billing. By planning ahead and working with an energy consultant, you'll gain early access to the benefits and take control of the transition.



28%
reduction

**in carbon emissions
by switching to
renewable energy.**



**REGO (Renewable
Energy Guarantees
of Origin) legislation
certifies that the
electricity you
purchase comes from
renewable sources.**



On average, a switch to renewable energy will cut your emissions by around 28% per annum.”

Alex Payne

Director of Energy Markets and Procurement, Zenergi

Pitfalls to watch out for

If you see a savings rate advertised that seems too good to be true – it probably is. Here are a few things you should pay close attention to when weighing up offers or finalising your decision.



Incredible savings rates

If you see offers promising to save you 40% or more on your energy bills, tread with caution. Ask the supplier to explain exactly how this will be achieved and ask for a full breakdown in writing. Remember, all suppliers operate from the same wholesale market for electricity and gas, the real value comes down to having a smart buying strategy, ensuring supplier margins are fair and that you are getting the best value for the overall offering, including any additional services.



Compare apples with apples

Beware of energy offers prepared using lower volume assumptions. These might appear to be a better deal overall, until you apply the relevant unit rates to the same consumption figures. Payment terms, contract length and capacity will also impact the price you pay. Deciphering what constitutes good value is an area where an expert partner, such as Zenergi, can be a real advantage. They should be able to support you by ensuring all these differing elements are assessed fairly so that you have all the information you need to make an informed decision.



Consider the big picture

Ensure the contract fits your procurement needs, but think about the bigger picture. For example, if you're focused on decarbonisation and considering solar panels to reduce energy consumption, make sure your contract doesn't penalise you for under usage.

Support beyond signing

Consider what happens once a new energy contract is signed. Who will ensure your meters start on time, sort out the Direct Debit forms, check whether Automated Meter Reader (AMR) devices are functioning correctly, ensure that your bills are correct and so on. A delayed contract start can end up being expensive and energy-related admin can be hugely time-consuming and should be factored into your decision making. Similarly, if you are on a flexible contract and energy prices change, will you receive the necessary forecast to understand whether you're still in budget?

Five things to look for in an energy partner

Use this checklist to help you find an energy partner that will make sense today as well as tomorrow.



1. Proven sector expertise

Seek a partner that understands the unique challenges your school faces, such as budgeting within funding cycles and planning around the academic calendar. Making sure that they can demonstrate both energy market and education sector expertise will help you secure competitive rates and a better-aligned strategy.

2. Clear, ethical fee structures

Never be afraid to ask detailed questions about pricing to avoid being exposed to unwelcome surprises. A credible partner will ensure you understand exactly what you're getting for your money and should be able to present several options centred around your specific needs.

3. Demonstrable savings

Ask for relevant case studies with real-life examples showing how schools have saved money and benefitted by working with them. Be wary of attention-grabbing saving promises that cannot be substantiated.

4. People to talk to

Think carefully about what you want to happen when there's a fault, billing problem or new legislation to deal with. Reliable support means having real people available when you need answers, not hanging on the phone in a support desk queue. A dedicated support team who understands your school will make your life a lot easier.

5. Support beyond procurement

Consider whether you need further support. For example, ask potential partners how consumption can be tracked and whether they can support your school's wider ambitions relating to climate action. A joined-up approach can make a big difference.



Get in touch

We know energy and the education sector inside out. Speak to us for a tailored energy procurement review.



Looking to make energy savings – plus a whole lot more?

Zenergi has partnered with the Institute of School Business Leaders (ISBL) to offer a fully compliant energy procurement framework that gives you clarity, confidence and budget control.



Key sources

Ofgem: Guide to the GB energy market

Zenergi: <https://zenergi.co.uk/products/energy-procurement/>

<https://zenergi.co.uk/news/guide-to-energy-buying-strategies/>

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Gov.uk/ Buying for schools: <https://buyingforschools.blog.gov.uk/2025/04/02/a-new-way-to-buy-energy-for-your-school-or-trust/>

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Powering a sustainable future



hello@zenergi.co.uk

02380 286300

zenergi.co.uk