

Montgomery Community Energy Aggregation (MCEA)

**The Township of Montgomery presents
a New Local Services Program for
Lowering Energy Costs**

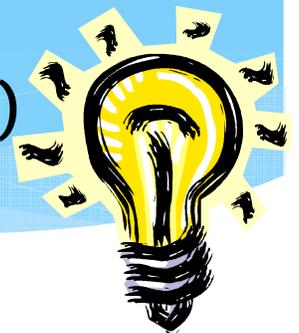
Consultants:

Gabel Associates, Inc.

www.gabelassociates.com

Cooling America Thru Local Leadership (CALL)

www.NJCCEA.org



Overview of the MCEA Program: How does it work?

- The Township, with guidance from its consultants, will release a Request for Proposals to all New Jersey licensed third party suppliers to supply electricity to all Montgomery residents (on an opt-out basis) not currently being served by a third party supplier and, potentially, for businesses who wish to be included.
- Montgomery and its consultants will analyze the bids received and determine the most beneficial bid to award. **The Township will only award a contract if the bid price is below the current tariff price charged by PSE&G. If there is no savings, there is no contract awarded**

Background

- In 1999 the State passed a law changing the way that electric and gas utilities are structured and regulated
- Utilities still own, operate and maintain the distribution system (substations, poles, wires, meters, etc.), but no longer own power plants
- Retail customers can buy power from the utility or a third party supplier (TPS)
- For customers who have not switched to a TPS, utilities buy power from wholesale suppliers through a bid process, and pass the costs of these contracts on to retail customers

Background (cont'd)

- The 1999 'restructuring' law allowed municipalities to aggregate residents and businesses for bulk purchases from TPSs, on an 'opt-in' basis
- This 'opt-in' model did not work in the marketplace. Eventually the government energy aggregation (GEA) law was changed to an 'opt-out' model. This same 'opt-out' model is used in other states that have implemented GEA programs
- Under the opt-out model, and with current market conditions, municipalities have the opportunity to 'bulk purchase' power supply for residents at prices below the utility power supply price
- Plumsted Twp. was first municipality in the State to implement a GEA program. In October 2012 they awarded a contract to a TPS that is savings residents an average of 14% on power supply as compared to the utility price, resulting in annual savings of about \$165 per customer; about \$400,000 collectively in the town.

Overview of the MCEA Program: How does it work?

- Township has formed the Montgomery Community Energy Aggregation (MCEA) program under the State's GEA rules, and will go out to bid for pricing from TPSs. If the low bid price is below the utility tariff price, an award is made. If not, no award is made and customers remain with PSE&G 'default service' for power supply.
- IF an award is made, Montgomery residents will receive a mailing shortly after the award which contains the bid price per kilowatt hour, a comparison to the PSE&G tariff price, estimated savings over the course of the contract (1 to 2 years), and information on how to "opt-out" of the program if you do not wish to participate.
- "Opt-out" is fast and easy. Residents can either sign and drop the postage-paid "opt-out" card in the mail, or can call the toll-free program phone number that will be provided. Residents that mail back the card or call the toll-free number within 30 days will not be enrolled in the program.
- After the 30-day opt-out period the selected supplier will begin enrolling residents. PSE&G will send a second mailing to residents informing them that it is enrolling them with a third party supplier.
- Even after the initial enrollment, if residents change their mind at ANY time during the contract they may opt-out at without penalty or termination fee

Overview of MCEA Program For Businesses

- Montgomery has chosen to extend the opportunity to participate in the MCEA program to businesses within the Township.
- Businesses must affirmatively “opt-in” to the MCEA program in order to be included.
- Businesses must opt-in prior to the release of the Request for Proposals (May)
- Businesses will be a *separate* bid group from residents
 - Different price
 - Different contract terms

Community Energy Aggregation Facts

- All residents (except those who currently have a third party supplier) are initially included in the MCEA program
- Residents may opt out at any time without penalty
- Montgomery will only enter into a third party supply agreement if the cost of power is below current PSE&G tariff
- PSE&G will continue to provide the delivery of power and reliability. In the case of a power outage, a resident would still reach out to PSE&G to have power restored.
- Residents will still receive **one** bill for electricity; the third party supplier's energy cost will be included on your PSE&G bill in place of the PSE&G power supply line item.

Benefits of the MCEA

- **Reduced Energy Prices**
 - Competitive process encourages lower rates
- **Consumer Protection**
 - Township of Montgomery and consultants manage risk by designing the contract and bid specifications to protect consumers. Contract terms are reviewed by BPU and Rate Counsel. The price is fixed for the full contract term; no 'bait and switch, on price' no hidden fees. Length of contract is specifically defined. No fine print for customers to worry about.
- **Transparency**
 - * Residents will be informed of price, contract term and comparative savings vs. utility tariff
- **Customer Choice**
 - Customers may opt out at any time with no exit fee
- **No Hassle**
 - Third party supplier charge shows up on PSE&G bill- no change
- **Local purchasing**
 - Currently the utility, through a wholesale auction overseen by the State, selects the supplier for residential accounts. The MCEA allows the municipality to shop on behalf of the residents.

Next Steps

- The first reading of the ordinance will be held at the March 21 Township Council Meeting
- The Township will coordinate with PSE&G to sign an Electric Distribution Company Aggregation Agreement (a required step in the GEA regulations)
- The draft bid specifications and contract will be presented to the New Jersey Division of Rate Counsel and the New Jersey Board of Public Utilities for review
- The Township of Montgomery will administer the competitive bid process, under Local Public Contracts Law to obtain a Third Party Supplier in May
- Initial opt-out period will commence in June
- Service begins from the third party supplier at the end of summer

Thank you

Questions?

Visit

www.montgomery.nj.us

for more information