

Community Energy Aggregation (CEA): An Effective Tool for Bringing Value to Municipalities and their Residents

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In these challenging economic times every penny saved is a penny earned. Mayors of New Jersey's boroughs and towns are now in a unique position to help residents and local businesses reduce their energy costs and put these savings in the pocket of their constituents.

The residents of Plumsted, NJ are enjoying a reduction of 14% in the cost of their electricity supply for 2013 with an average saving of \$165.00 per residential account, retaining nearly \$400,000 in the local economy.

This opportunity is offered by a little known legislation, the Government Energy Aggregation Act of 2003 (PL. 2003, C24), that authorizes municipalities and/or counties of New Jersey to establish Community Energy Aggregation (CEA) programs. A CEA program allows municipalities, working alone or in a group, to aggregate the energy requirements of township residents; commercial and municipal accounts can also be included. This approach gives the opportunity to qualified Third Party Suppliers (TPS) to bid on contracts for substantial quantities of energy (electric and/or natural gas) that are put on the market by municipalities participating in CEA programs.

The CEA concept was first proposed in the Electric Discount and Energy Competition Act (EDECA, P.L.1999, C.23). The legislation eliminated the monopoly that electric and gas utilities traditionally enjoyed for the supply of energy in New Jersey, and introduced competition in the supply of energy to consumers. CEA was included in that legislation as one of the tools that municipalities could utilize to empower residential customers and potentially small businesses to gain the same type of buying power that large business customer enjoy and so to attract bids from suppliers.

Unfortunately, the initial efforts at building viable CEA programs were frustrated by the requirement that the demand of residential accounts could be aggregated only by obtaining the "wet signatures" of each individual home owner.

“What might have been a model aggregation success story was derailed by the onerous provisions of EDECA. Specifically, the modified opt-out, in which energy suppliers would have had to ring every doorbell to obtain the wet signature of residents wanting to join Community Choice New Jersey, would have been too expensive.” (Blossom A. Peretz, Director of the New Jersey Division of the Ratepayer Advocate, November 12, 2001)

This obstacle was eliminated by the passage of P.L.2003, C.24 which states that residential accounts are automatically enrolled in CEA programs with an option to “opt out”. As allowed in the previous legislation, individual commercial and municipal accounts can join a CEA program by “opting in”. In March 19, 2008, the NJ Board of Public Utilities issued final rules for the implementation of GEA programs in the state (N.J.A.C. 14:4, Subchapter 6).

Montgomery Township is now poised to become one of the first New Jersey municipalities to offer its residents and businesses, through a CEA program, the chance to take advantage of bulk purchasing power which they would not be able to obtain on their own. In addition, the current NJ legislation and the resulting BPU rules, contain clauses that make implementation of CEA programs a win-win for all concerned. Among the most notable features are:

- **Low Risk.** Municipalities act only as agents for the end users and are held harmless from any liability.
- **Low/No Cost.** The successful energy supplier refunds any costs incurred by the municipality to set up a CEA program, and compensates the town’s independent energy consultant.
- **Competition.** The municipality will solicit offers from third party suppliers through a public bidding process, in order to get the lowest possible price for power supply for township participants.
- **Consumer Transparency.** Customers will continue to receive a single bill from the utility; the lower power supply charges from the selected CEA supplier will replace the utility power supply charges. The utility’s delivery rates remain unchanged.

- **No Change in Reliability.** Whether you are part of the CEA program, obtain power supplier from a third party supplier you select yourself, or simply remain with the utility for power supply service, the local utilities is still fully responsible for maintaining the reliability of the delivery grid, and maintains the system, including wires, poles, transformers, etc. Reliability is not impacted by your participation in a CEA program.
- **Consumer protection.** Residential accounts will be advised of the exact terms of the deal, including the price and length of contract, and savings as compared to the utility price for power supply, and will be given instructions on how to ‘opt-out’ during a 30-day window should they not wish to participate. Even after the program begins, customers initially enrolled in a CEA program can leave it anytime, without penalty, and revert to supply by the local utility or to another third party supplier of their choice.
- **Renewable energy opportunities.** Municipalities can decide to purchase electricity with a higher renewable content.
- **Control of contract terms and conditions.** Supply contracts are reviewed by the Board of Public Utilities and the Ratepayer Advocate Office to insure compliance with State Rules and favorable conditions for the end users.

Montgomery is considering extending this program to the local business community as well. In order for the business community to participate, Montgomery will be making an “opt in” form available to all commercial accounts located within the municipal boundaries. The filled form will have to be returned by the end of May. Downloadable copies of the form can also be found on the Municipality web site: <http://www.twp.montgomery.nj.us>. An online sign-up form will also be provided. If there is sufficient interest and enough local businesses sign up to create buying power, Montgomery will include business accounts in the program.

Properly implemented, CEA programs will turn into a win-win situation for communities and energy suppliers alike. Several Third Party Suppliers (TPS) in New Jersey are presently engaged in a vigorous campaign to enroll individual residential accounts. This is an enterprise with high marketing costs and

fairly long implementation times. GEA programs offer suppliers significant advantages that make the program attractive to bid on, including:

- A large number of accounts all at once; and
- Substantially reduced marketing costs

Gabel Associates, one of the preeminent energy procurement firms in NJ, and Cooling America thru Local Leadership, a not for profit organization, handled successfully the implementation of the first CEA program in Plumsted. They have now been hired to help the development of a customized program for Montgomery Township. The consultants have agreed to work on a contingency basis and their fees will be paid by the award winner only if a satisfactory supply contract is signed, hopefully before the end of this summer.

Successfully implemented in other states like Massachusetts (Cape Light Compact), Ohio (NOPEC), California (Marin Energy Authority) and Illinois, GEA programs have insured that more than two million Americans receive reliable energy at discounted prices thanks to the efforts of their local governments.

An extensive Q&A section has been added to the Montgomery Township municipal website to supply more information on the Montgomery CEA program. <http://www.twp.montgomery.nj.us>