

Aggregation may lower electric rates

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By Matt Turer

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(July 30, 2015) Lauren Sinatra is trying to lower electric rates for island ratepayers and give them an option for a utility provider beyond National Grid.

Nantucket residents face some of the highest electric costs in the state. But energy coordinator Lauren Sinatra is looking to affect change on island power bills by bringing residents a new option - municipal electric aggregation.

Municipal aggregation is an energy procurement model that would allow Nantucket to use bulk purchasing power to pool electric supply and supply prices on behalf of their residents and small businesses currently on basic National Grid service, now received by default. Aggregation communities can contract for rates with competitive suppliers throughout the state.

Today, for smaller suppliers to provide electric service to Nantucket they have to register with the state specifically for the island, which is its own load zone (Nantucket Electric). The state's next-smallest load zone provides power to four counties.

"As a result, just given not really knowing the volume, which isn't guaranteed, what's the incentive for competitors to shell out the money to do business in a small territory? We have less competition than anywhere else in the state," Sinatra said.

Sinatra has issued an RFP for an aggregation consultant who would assist in the design, implementation and ongoing monitoring of potential municipal aggregation options.

"We'll see what prices [the broker] comes back with," Sinatra

said. "In theory they could come back with prices that aren't advantageous, and then we'd reevaluate."

The consultant would assume all of the risk for the process, as he or she receives no compensation until a potential supplier has been chosen. When an aggregation plan is accepted, brokers are paid by the supplier and, historically, receive \$0.001 per kilowatt-hour consumed by the aggregation. The island used 148,105,796 kilowatt-hours last year, which would translate into approximately \$148,000 to a broker if all hours went through aggregation.

"Essentially, it would have every basic rate payer...whether you're a resident, industrial or a small business...going off of National Grid as your default supply provider and going onto a new plan with a new provider that is competitively procured," Sinatra said. "That's it in a nutshell."

The program is meant to add another option for Nantucket's electricity customers, with its biggest drawback being its "opt-in" model. If the town chooses to go forward with the bids brought in by the broker, Nantucket residents will automatically be transferred off of National Grid and onto the independent supplier. Residents and businesses on third-party suppliers would remain on their plan unless they choose otherwise.

"We're not saying you can't go on National Grid," Sinatra said. "We're saying here's another player to get into the mix and hopefully bring prices down for everybody. There's a handful of reputable suppliers which people can get their electricity from now on their own, but it's a difficult process to navigate."

Most aggregations have a support staff system to help with logistics, but Sinatra would perform those roles herself on the island, helping with the PR as well as being a local resource for those who wish to opt out of the aggregation and back into

National Grid, a process she says will be simple.

"The reason I'm recommending Nantucket pursue it is there's zero risk," Sinatra said. "I sincerely believe our rate payers can save money, and we can, in effect, avoid price volatility, so you wouldn't see that 30-percent electric hike in the winter because you can enter longer-term contracts."

Power aggregators act like commodity traders, buying and selling electricity throughout the year. Utilities under National Grid can only procure energy twice a year.

The program could bring a lot of flexibility for residents in the form of split rate terms by seasons and tier rates.

Tier rates are common in California, a leader in municipal aggregation. A tier-rate system could have a threshold set at 500 kilowatt-hours a month. Everybody below that threshold would pay a certain rate while everyone above it would pay more per tier, or threshold, crossed. This is intended to be an incentive to use less electricity. Sinatra didn't say whether she plans on implementing the strategy, but called it a possibility.

"For a while I was skeptical because typically you can procure most affordable supply prices if you have a very even load, but Nantucket doesn't have an even-load profile," she said.

A ConEdison representative said Nantucket is at a huge structural advantage as the majority of the island's load occurs during the electric market's less volatile summer season. Savings could therefore be spread across the year.

It takes eight to 12 months to get an aggregation approved after an RFP is issued. The energy department is currently waiting on town administration to procure and issue the RFP.

Massachusetts was the first state to pass electric aggregation

after 1997 legislation deregulated the state's electric market.

Currently, more than 40 municipalities in the state have or are actively pursuing aggregation, including the Cape Light Compact. The Compact services over 200,000 customers on Cape Cod and Martha's Vineyard.