



West Orange, a Leader in Service and Efficiency

West Orange Community Energy Aggregation

West Orange Community Energy Aggregation (WOCEA) is a new program designed to:

- Save residents and businesses money on their monthly power bills;
- Encourage energy conservation, and provide residents with tools and information to control their energy usage, and;
- Provide a foundation for future clean energy programs in West Orange;

Residents are invited to attend an information session to be conducted on August 14, 2013 scheduled for 7:00 p.m. at the Edison Central Six School Auditorium.

Here are answers to some frequently asked questions about the program.

This information will be updated based on the questions asked at the public meeting held August 14th, 2013, and will continue to be updated as questions are received from the community.

What is Community Energy Aggregation?

Community Energy Aggregation is a program that allows the municipality to conduct a “bulk purchase” of energy supply on behalf of its residents and businesses, **at prices lower than the average utility price**, with the possibility of added benefits, such as higher renewable energy content and other programs. New Jersey regulations allow municipalities to take this approach to procure savings on your behalf.

The Township has hired a consultant to implement a procurement process for a Third Party Supplier to provide power supply to its residents.

How does the program work?

It is important to emphasize that this program covers only the power supply portion of your electric bill. Under New Jersey’s retail choice regulations, you may purchase power supply from the electric utility under its Basic Generation Service (“BGS”) tariff rates, or you may purchase your power supply from a third party supplier. Most residential electric customers in the State have not switched to a third party

supplier; therefore the majority of West Orange' residents, like most residents across New Jersey, simply obtain their power supply from the utility “supplier” as they always have.

All Township residents are automatically included in the WOCEA program unless they have already chosen a “third party supplier.”

The Township has engaged an independent consultant to collect energy usage information, prepare bid specifications, and seek pricing from third party suppliers through a public bid process. The aim is to leverage the bulk purchasing power of all of the Township’s residents to obtain power supply that is less expensive, while also considering including a requirement for a higher renewable energy content than the power supply offered by the electric utility.

Although all residential customers in the Township not currently purchasing from a third party supplier are automatically included in the program, a resident may “opt-out” of the program if they wish to.

Importantly, the delivery and distribution of electricity under this program will continue to remain the same, through the regulated utility (PSE&G) that serves your home. The utility will continue to handle your account, addressing any outages and maintaining service.

The only thing that will change is the billing and cost of the electricity provided.

What is the legal basis for the program?

The New Jersey Legislature approved the Government Energy Aggregation Act in 2003, to ensure that the benefits of energy deregulation were passed on to consumers, in the form of lower costs and greater choice of suppliers.

(“Energy deregulation” refers to legislation passed in 1999 that separates the provision of energy as a competitive arena from its distribution, which remains in the hands of the regulated utilities which have a monopoly on the “pipes and wires” that deliver the energy to your home or business. This means that companies are now free to compete to generate electricity (or supply natural gas), and consumers are free to choose who to buy it from.)

The 2003 law gives communities the right to “aggregate” all of the residential and business accounts within their boundaries, and solicit bids from suppliers in order to get the best price and terms for everyone.

Why is this happening now?

Energy prices were “capped” for several years after deregulation, so this kind of program was unnecessary. Since then, the prices charged by suppliers have frequently fluctuated, but the retail prices have generally continued to go up.

In the past few years a number of third party suppliers and independent brokers have entered the marketplace, mainly to address the needs of large-scale commercial users, but more recently also offering various plans and discounts to residential consumers. Since these competing plans can sometimes be confusing and have hidden clauses, consumers have been slow to accept them. State regulations have recently been modified to provide a clearer path for municipalities to offer community energy aggregation, and thereby use bulk purchasing power to obtain better pricing and better terms than residents and small businesses can obtain on their own. In addition, energy market conditions have improved, thereby increasing the opportunity to obtain advantageous pricing from third party suppliers.

Do I have to be part of the program?

No. Residential customers who are automatically included in the program have the right to “opt-out.”

However it is advantageous for all residents to join and remain in the program, as this gives the community the “strength in numbers” to negotiate the best price for consumers.

All residents will receive information about the program and be given the opportunity to opt-out.

How do I know that I’m getting a good deal?

By law, the price to the consumer must always be equal to or less than the regular retail price charged by the utility company. Your Township has hired an independent consultant to conduct the bid process and perform detailed bid analysis in order to ensure that the participants receive the best offer available.

Will this include both gas and electricity?

Law allows for a community energy aggregation to cover electricity and natural gas. West Orange has elected to conduct the initial program for electricity only, as greater opportunities for immediate savings exist in the electricity market. The Township intends to study the results of the electricity program and decide at a later date whether to expand the program into natural gas supply.

As a consumer, what action do I need to take?

As a resident currently being served by the utility, **you do not need to take any action** in order to be automatically included in the program. If you do not want to join this program, you can return the form that will be sent to you by the selected supplier that you wish to opt out of the program.

If you are *already* purchasing energy through a third party supplier, you will be given the opportunity to join the WOCEA at the end of the existing contract with your present supplier.

How does the program help encourage residents to conserve energy?

By knowing how much energy is being consumed by the majority of residents, the town can design programs that support energy conservation and efficiency, and communicate better with community members the opportunities available to save money through energy upgrades, more efficient appliances, and so on.

The contract signed by the third party supplier may also require them to provide your energy with a certain amount generated from renewable energy sources.

I currently receive budget/equalized billing from PSE&G. If I participate in the Community Energy Aggregation program, will I be able to keep my budget or equalized billing?

Residential suppliers in the State are familiar with the budget billing process and are able to offer it. The Township understands that this is an important issue for some residents and, as such, will require that the selected supplier have the ability to offer budget billing.

Do programs like this take jobs away from union workers in New Jersey?

No. The power plants that operate in New Jersey will continue to operate regardless of whether you purchase your energy from the utility or a third party supplier. Local jobs and generation are not affected by this program; it is really more of a financial transaction than a physical transaction that impacts which power plants run or the way the power grid is operated.

Why is the program set up so that residents can only opt-out, rather than having it so that residents may opt-in if they wish to join?

The opt-out approach was included in the 2003 law passed by the State Legislature. The program is set up this way to ensure that a sufficient number of households will

participate to obtain a meaningful bid, and to avoid the costly and time-consuming process of having everyone affirmatively sign up for the program. By encouraging a larger pool of customers and reducing the hassle and cost for the selected supplier, more suppliers are enticed to bid, resulting in more competition and lower prices.

In short, the aggregation rules incorporate consumer protections, and recognize the logistical challenges of a residential procurement program, while at the same time providing a structure that will attract bidders.

When the retail choice program was originally enacted in NJ in 1999, the rules required that government aggregators be required to obtain a so-called “wet signature” from each residential customer demonstrating the customer’s affirmative consent to join. After a number of years it was recognized that this “opt in” approach put such a burden on the programs that none got off the ground, and the model was changed to “opt-out” for residential customers. Unlike business customers, residential customers represent large numbers and (relatively) small usage/margins for each account. In order for an aggregation of residential customers to work, it is necessary to get large volumes with as low transaction costs as possible. This results in the opt-out approach, which gives suppliers a firmer basis for the load they are bidding on, but still provides residential customers with the ability to opt out.

The regulations also require that an aggregation program show savings versus the utility-provided rates. Each residential customer will receive a written notification after the bid, informing them of the price, the comparison to the utility price, and their right to opt out. As such, each resident will be fully apprised of all pertinent information necessary to make an informed decision.

Based on the experience in other states, it is anticipated that fewer than 5% of households will opt out.

Does the program require a certain percentage of revenues in order to go into effect?

No. The program is structured so that the third party suppliers bid a price per kilowatt hour and, if selected, must hold that bid regardless of the number of residents who opt-out. The suppliers will have built the risk of some residents opting out into their bid price.

What level of savings have been achieved through this type of program?

There are several states in the country which have adopted community aggregation programs. Other states have different regulations and restrictions which they must

abide by, and set different goals as part of their programs; as such their savings experiences may not be directly comparable. For example in Marin County, California, the community decided to their energy from 100% 'green' sources, which is generally more expensive. As such, that program did not achieve any cost savings, but improved the community's carbon footprint. Conversely in Ohio, the purchase was for 'standard' energy supply, and savings have been roughly 6%.

Recently, in October 2012, Plumsted Township right here in Ocean County became the first community in New Jersey to successfully complete a bid and award a contract to a supplier under the State's government energy aggregation rules. Power supply savings that will be realized by Plumsted's residents will be approximately 14% over the coming year, resulting in annual savings for a typical residential customer of about \$165.

Most recently, the Township of Toms River completed a successful bidding process that will save each residence an estimated \$110 dollars (11%) annually. Because energy market prices change over time, we cannot be assured of replicating Plumsted's or Toms River's results; however we still anticipate savings of 5-10%, and the Township will not (and cannot) award a contract to a supplier unless residents will save money as compared to the PSE&G tariff price for power supply.

What about power outages?

Power outages are **not** under the control of the third party supplier. The delivery system is still under PSE&G's control, and there is no difference in delivery services whether you purchase the power supply from a third party supplier or from PSE&G under its tariff. In the event of an outage, you would still contact PSE&G.

What if I have a solar system?

Your solar system produces electricity that offsets the amount of power you need to purchase from the power grid. Your total electric consumption less your solar energy produced on your home equals your 'residual' electricity needs purchased from the power grid. Under the program, the aim will be to lower the price for those 'residual' energy purchases. As such, having a solar system does not preclude you from participating.

Will the chosen supplier be able to charge penalties for deviating from an average historical usage?

No. The Township will not allow for any provisions in the contract signed with the third party supplier which penalize residents for variances in usage.

Is it possible to opt out at any time?

Residents will be advised of the contract price and the comparison to the utility price, and will be given a 30-day window once the contract is awarded and the price is known, to decide to opt out of the contract. The Township may request that the supplier allow customers to opt-out of the program at any time even after the initial 30-day window is over; however the additional risk that the suppliers will have to take on will be reflected in their pricing (the more uncertainty there is for a supplier, the higher the risk premium built into the bid which results in higher bid prices and lower savings).

Will the chosen supplier be able to charge penalties if I decide to opt-out of the program?

No. The Township will not allow for any provisions in the contract signed with the third party supplier which penalize residents exercising their right to opt-out of the program.

Can we ensure that legitimate companies bid on this? How many bidders should we expect?

Only third party suppliers licensed by the State will be eligible to bid. The Township and its consultants will make sure that each licensed power supplier in the State is aware of the bid. The bid specifications will contain specific, additional qualifying criteria that bidding suppliers must meet to demonstrate their experience and capabilities, and the Township and its consultants will review the qualification documents submitted by each prospective bidder. There are approximately forty licensed suppliers in New Jersey, and a percentage of those are active in the residential market at this time. However, not all have the necessary experience and qualifications to conduct a government energy aggregation program. The number of suppliers that we get to submit a bid will depend partly on how attractive the bid package is for suppliers. In the recent Plumsted and Toms River program bids, there were between eight and seven qualified suppliers who bid to serve residential customers, resulting in substantial competition.

Will the Township monitor the energy prices for changes?

The contract will be for a fixed price, therefore the price you pay per kilowatt hour will not change over the course of the contract term.

Is this a long-term contract similar to those in other states?

The length of the contract is limited by Local Public Contracts Law in the State of New Jersey. The Township would also like to keep the initial contract terms at twelve to twenty-four months in order to see what happens with this bid and leave room to learn, grow and improve after the initial period. In future years we may decide to go out to bid for a longer term fixed price.

How will the bid be conducted?

The Township will issue a Request For Proposals to all licensed third party suppliers in the State. The bid will be conducted in accordance with Department of Community Affairs guidelines as well as Local Public Contracts Law.