

Government Energy Aggregation FAQ's

What is Government Energy Aggregation?

Government Energy Aggregation (GEA) is a program that came from the passing of the Government Energy Aggregation Act of 2003 by the New Jersey Legislature. This law gave municipalities and counties the ability to aggregate the energy usage of the residential and non-residential ratepayers in order to conduct a bulk bid or auction in order to attempt to get the lowest possible price at that given time in order to maximize the benefits of deregulation to the participants. These benefits include a lower utility cost and an increased number of suppliers to choose from within New Jersey. If a government entity, such as your municipality, chooses to establish this program on your behalf, an RFP will be sent to every Third Party Supplier in New Jersey that is licensed with the Board of Public Utilities. Your municipality is utilizing an independent Consultant to implement a procurement process for a Third Party Supplier to provide energy 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 your town's residents, like most residents across New Jersey, simply obtain their power supply from the utility's "supplier" as they always have. All of your town's residents are automatically included in the Aggregation program unless they have already chosen a "third party supplier." Your town 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 town'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 your town 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, be it PSE&G, JCP&L or ACE, 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.

Why does a Municipality or County have the ability to aggregate the energy usage on behalf of its residents?

As stated above, with the passing of the Government Energy Aggregation Act of 2003, these government entities were given the ability to pool the energy usage of its ratepayers in order to drive down the costs for the supply of a specific energy source such as electricity and/or natural gas. This will allow these utility clients to take full advantage of energy deregulation the way it was intended when New Jersey passed the legislation in 1999 by becoming a "larger user" in the eyes of the Suppliers. When you buy in bulk, you tend to get a better price for the product. It is the same

concept here. With energy deregulation, the “supply” and “distribution” portions of your bill were separated. With deregulation, the distribution portion remains with the same regulated utility that has always delivered your service through its pipes and wires. However, deregulation allows the supply portion to be in a competitive venue to potentially be able to get the energy at a lower cost than what the Local Distribution Company a.k.a. your utility company (ACE, PSE&G, or JCP&L) provides it for.

Basically, companies are now able to compete for your energy usage and you are able to choose who to buy it from. The 2003 law gave communities the ability to aggregate all of the residential and non-residential meters within their geographic boundaries in order to get the best price and, at least as important, the best terms for everyone.

How does Government Energy Aggregation work?

A Government Energy Aggregation Program only encompasses the “supply” portion of your electric bill and this is very important. With the installation of New Jersey Energy Choice regulations in 1999, you have the ability to purchase electricity under your LDC’s Basic Generation Service (BGS) tariff rates or you can purchase it from a Third Party Supplier. Most residents of New Jersey, and most likely your municipality, purchase their electricity at the BGS rate because they have not yet switched to a Third Party Supplier. As of January 2013 about 15% of residents had made the switch. The BPU and Rate Counsel realize that this means most people are not taking advantage of the competitive benefits they have provided to them. In order to keep competition in the State and supply prices low, a step by step “roadmap” was made a part of Title 14 to show us how to implement an aggregation plan. Under New Jersey law, all residents of a municipality that adopts an aggregation plan will automatically be a part of the plan unless they already are using a Third Party. The goal is to maximize the bulk purchasing power of all the residents in order to lower the energy cost. Even though everyone who is eligible for the program is initially included, anyone who is included will have the opportunity to opt-out of the program before it begins or at any time after it starts WITHOUT any penalty or fees if they choose to. Keep in mind, the plan will only be started if there is a savings to the residents compared to the utility’s current default rate. The rate will also be guaranteed to be fixed for the full duration of the contract without any variability, fees or penalties. The agreement with the Third Party will be reviewed by the BPU and Rate Counsel and is designed to protect the resident from the “fine print” while minimizing the cost. Your supply will still be delivered by the same regulated LDC (ACE, PSE&G, or JCP&L) that has always delivered it. They will still handle your account, any service issues, outages and you will still pay one bill to them. The only difference will be the cost and a line item that says you are now using a Third Party to lower that cost.

If this program has been allowed for years, why is it just beginning to be utilized now?

There are several reasons for this. For one, after deregulation first occurred, rates were capped for a while so the program wasn’t needed. In the past couple of years, more Third Party Suppliers have entered New Jersey’s marketplace and begun to compete for the business at a rate lower than the escalating retail prices. These Third Parties also introduced competing plans in addition to rates that had hidden clauses that can be confusing or scare people off. In July of 2012, the State Legislation gave everyone the clearer map they needed to begin to take advantage of the program and achieve energy pricing that only the largest corporate users had access to before. This map not

only gave a plan to achieve lower pricing but also gave strict guidance for terms of the contract that would properly protect the ratepayer and eliminate traps and confusion. By using this program, a municipality's residents can now get better pricing than they can get on their own with better terms and protection. Your municipality is utilizing the services of an independent consultant that is licensed as an energy agent and private aggregator with the New Jersey BPU to assist them in implementing the program and give recommendations to maximize the benefits to the residents.

How do I know if it is a good rate?

According to the law, the program cannot exist if the rate to the residents is not lower than the current default rate charged by your LDC unless there is a higher percentage of "green" energy than is required. Your municipality is utilizing the services of an independent consultant that is licensed as an energy agent and private aggregator with the New Jersey BPU to assist them in implementing the program and give recommendations to maximize the benefits to the residents.

Do I have to participate in the program?

No. While residential customers are automatically included in the program, you may opt-out before the program ever starts and at any time during the program without any fees or penalties. While it is beneficial for everyone to participate because there is better leverage to negotiate and attract a lower rate with larger usage, it is not mandatory. You will have the rates in the program prior to the program starting along with the details of the program so you will be well educated and can make an informed decision prior to deciding if you want to start in the program.

Is the program for both electric and natural gas?

Yes, the laws allow a Government Energy Aggregation program to include both electric and natural gas.

As an energy customer, what do I need to do?

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 have three options; 1-return the form that will be sent to you by the selected supplier that you wish to opt out of the program; 2-call the specific 800 number that will be provided; 3-go to www.njaggregation.us. If you are already purchasing energy through a third party supplier, you will be given the opportunity to join the Aggregation program at the end of the existing contract with your present supplier.

Overall, how does the program benefit the residents?

The program ensures that residents will receive a rate that is lower than what the local utility is currently charging them. It will also give them increased protection in obtaining a Third Party by eliminating all the confusing fine print and forcing the Third Parties to compete for your business

on an even playing field by giving everyone a price on a larger amount of energy on the same date under the same terms and conditions that are dictated to them through our RFP criteria, rather than them dictating to you what the terms of the contract will be. These criteria can also include a higher percentage of “green” renewable energy that will help create a cleaner environment.

I currently use the budget/equalized billing program from ACE/PSE&G/JCP&L. If I become a part of the aggregation, will I be able to remain in the program?

Yes. Your municipality understands that this is a very important feature to many of its residents and will mandate that all suppliers bidding on your business must accept this program.

Will this program take jobs away from workers in New Jersey?

No. This program will not negatively affect the power generation from the plants throughout the State and they will continue to run regardless. This is a financial transaction and decision that results in an accounting change by your LDC not a physical transaction that determines whether or not a generation plant will run.

Why is the program an “opt-out” program rather than having residents “opt-in” if they choose to participate?

With the passing of the 2003 law by the State Legislature, the “opt-out” approach was added. The program is set up this way to help ensure that a meaningful number of residents participate to achieve a meaningful bid. Past experiences in New Jersey and other states have proven that an “opt-in” program does not obtain a high enough percentage of residents participating to have an effective program. It is also costly and time consuming to administer a program that requires everyone to affirmatively come in to the program. After years of the program requiring “wet signatures” of customers “opting-in” for aggregators to start the program with little success, the BPU, Rate Counsel and Legislature realized that it was overly burdensome on the program and none were started. These entities came together to make the change to have residents “opt-out” of the program. A larger pool of customers with little hassle or cost for the suppliers to add them inherently makes the group more attractive to the suppliers encouraging them to bid causing more competition and lower pricing. Compared to businesses, residents are large in number but small in usage and margin for suppliers therefore it is necessary to get a large number of them together to increase their usage volume, minimize costs for acquisition to the supplier and drive a lower energy cost for the customer. The “opt-out” approach results in a larger, more consistent usage for the supplier to bid on compared to an individual customer but still gives the customer the ability to “opt-out” of the program at any time without any fees or penalties. 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 15% of households will opt out.

What about power outages?

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

Is there a minimum number of residents that need to participate in the program in order for it to start?

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.

How much savings should I expect through a Government Energy Aggregation program?

Several states in the U.S. have adopted Government Energy Aggregation laws. Some of these states have different rules, regulations and restrictions governing the program as well as varying utility environments present in their states; therefore, their savings experiences may not be comparable. In California, one of the programs requires 100% green energy which tends to be more expensive and resulted in no savings for the residents but have a much lower negative impact on the environment. In late 2012, Plumsted Township in Ocean County became the first community in New Jersey to successfully complete a bid under the State's energy aggregation rules. Energy is a commodity so the prices change constantly and trend over time so results cannot be guaranteed. However, we still anticipate an average savings of 5-10% and the municipality will not and cannot award a contract to a supplier unless the residents save money when comparing with the local current default tariff rate for the energy supply.

How long are the contracts?

We ask suppliers to bid on terms of 12, 18, and 24-month fixed price contracts. The municipality has the option to select the supplier and contract length that results in maximum benefit for the community.

How do we know we are always below the local default rate?

When a local distribution company sets its default rate, that rate is known prior to it becoming effective. Once that rate is known we will compare it with the rate we obtained in the bid process. For longer term contracts, the consultant your municipality is utilizing will advise them as to the trends and current market conditions and help forecast unknown tariffs based on their extensive knowledge and experience in the energy market.

What happens if there is an interruption of service?

Your supply is still being delivered by the same local utility you have always used. If there is a

service interruption they are still responsible to fix the problem. There is no difference in delivery service or responsibilities if you get your energy from a Third Party. If there is an interruption, you will still call ACE, PSE&G or JCP&L.

What if I have a solar or alternative energy system?

At this time, suppliers are not able to process the net metering portion of your solar credits. Therefore, we recommend that you opt-out of the program to avoid interruption in or loss of your solar credits.

Will the supplier be able to charge a penalty if I use more or less energy than I used in the previous year?

No. Your municipality will not allow for any clauses that would result in fees or penalties of any form, even if you have a variation in the amount of energy used.

Will the supplier be able to charge a penalty if someone “opts-out” of the program?

No. Your municipality will not allow for any clauses that would result in fees or penalties of any form. You are free to opt-out of the program at any time without a fee or penalty.

Will the municipality be monitoring the pricing for changes?

The contract will be a fixed price for a defined period of time. Therefore, the price for energy will not change at all during the course of the contract.

Are the contracts going to be long term, just like some of the contracts in other states?

The length of the contract is limited by the Local Public Contracts Law in the State of New Jersey.

Can we have multiple service territories if other towns in other different territories want to join?

Yes, but only if those utility’s territories were included in the original contract for the program.

Can we ensure that legitimate companies bid on our usage and satisfy the contract?

Only third party suppliers licensed by the BPU (Board of Public Utilities) are eligible to bid. The municipality and its consultant 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. The municipality and its consultant will review the qualification documents submitted by each prospective bidder. There are approximately forty licensed suppliers in New Jersey. 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.

Will the LIHEAP and Lifeline benefit programs for low income residents still apply if I participate in the Aggregation program?

LIHEAP (Low Income Home Energy Assistance Program) is a federally funded program, administered by the Department of Community Affairs. It assists low income households with paying their heating bills (whether electric, gas, oil, etc.). There is no impact of participation in the Aggregation program on a customer's eligibility for LIHEAP. Lifeline or Universal Service programs are state-funded through State taxes and societal benefits charges, again with eligibility based upon a number of factors tied to income. Bill credits of up to \$225 are provided to assist eligible customers with electric and gas utility bills. The Aggregation program will provide consolidated billing through the utility, and as such the bill credits would be unaffected.

What if I already purchase energy through a third party supplier?

As noted above, if you are already purchasing energy through a third party supplier, you will not be enrolled in the program. You are certainly welcome to join the aggregation program at the end of the existing contract with your present supplier. If you wish to join your community's Energy Aggregation, you should send us an email (or file an opt-in request on the web site at www.njaggregation.us) indicating the date that you wish to join, and inform your existing supplier that you are switching. Our appointed aggregation program supplier will take care of informing the local distribution company of the change. **It is very important that residents currently purchasing energy from a third party supplier read their existing contracts very carefully, as there may be penalties for terminating the contract prematurely, and some third party suppliers have automatic "roll over" provisions which renew your contract without consent or action from you.** Please be sure to read your current agreement and take the necessary actions to alert your third party supplier that you wish to terminate service at the end of your contract term in order to join the aggregation program. Please note that we are not responsible for informing your existing supplier or terminating your agreement with them. However, if you have any difficulty with them, please let us know and we'll try to help you resolve issues.

How is the bid going to be conducted for the Government Aggregation Program?

Your municipality will utilize a reverse auction platform. The platform has been approved by the Department of Community Affairs for municipalities for use in this format. Ultimately, all the licensed suppliers will bid against each other under the exact same conditions at the same time forcing competition and providing very low rates for the residents.