

Procuring Power Supply through a Cooperative Purchasing System

Over the last few years many contracting units have turned to energy procurement cooperatives to take advantage of the benefits of aggregating power supply demand. Pooling power supply needs can provide a small user of the potential savings of a large user.

The bidding of power supply requires a good degree of sophistication by customers to maximize the value of aggregated bidding. For example, aggregating government contracting agencies that share pre-existing contracting relationships with known and trusted leadership, and that have similar load profiles, budgeting priorities, and procurement policies, adds value to cooperative purchasing. For these reasons schools districts, for example, have generally found that it is to their advantage to bid with other school districts for their electrical power.

Pooling demand also allows contracting units to hire a consultant rather than try to write the specifications themselves or pay for a consultant themselves. The formation of large aggregation groups allows each individual contracting unit to spread consulting and legal fees over the usage of the entire group, thereby reducing the per-unit transaction costs by several orders of magnitude. Understanding the energy markets and the attendant legal considerations is a necessity when bidding and contracting for power supply.

Several counties have developed their own power supply cooperative purchasing system and, in some cases, counties have aggregated their needs with other counties in a multi-county power supply cooperative to increase their usage and drive down the costs of a consultant. These systems have been very successful in the past. Unlike other cooperative procurement systems, however, energy co-op members are required to pledge their demand and use the system's contract for their supply if they join the system.

To join a power supply co-op, the first step is to determine if there is a power cooperative in the vicinity of your local unit of government (see website for a list). If there is, they can be contacted to find out if they can currently handle additional members or if not, when they will be able to bring in new members and what requirements they impose.

If there is no energy co-op in existence in your area you may wish to start one. N.J.A.C. 5:34-7 provides the regulatory basis for cooperative pricing systems, and 5:34-7.13 and 7.19 have specific guidance on regional and cooperative energy cooperatives.

Contracting units that join a co-op will need to obtain account information for all of electricity accounts and participate in decision making as the co-op may require. In addition the bidding process may require the contracting unit to commit virtually immediately once the bids come in to lock in the best prices.