



# NEW JERSEY

## DIVISION

### OF THE RATEPAYER ADVOCATE

*Delivering The Benefits*

*Of Deregulation To Your Local Community*

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## Ensuring rate cuts benefit everyone

*Municipalities can join together to buy electricity cheaper*

By DENNIS P. CARMODY

“Some say there is power in numbers, Perhaps we should also say there are power savings in numbers,” said state Ratepayer Advocate Blossom A. Peretz. She was speaking to several hundred local officials who gathered at the Forsgate Country Club to learn how they can take advantage of coming competition in the electric industry.

With the recent passage of the *Electric Discount and Energy Competition Act* (the “Act”), the Legislature deregulated the New Jersey electric and gas industries to provide consumers with the ability to choose their energy suppliers. That means that all energy consumers will be able to shop around for energy, just as they now choose among long distance telephone carriers. The start of competition is scheduled for August 1999 for electric services and the end of 1999 for natural gas services. The Act provides detailed provisions for energy aggregation of governmental bodies, including counties and municipalities by themselves or with residential and business customers.

**Municipal aggregation** is a way that New Jersey towns, residents and small businesses can save money on utility services,” said Ratepayer Advocate Blossom A. Peretz, Esq. “If New Jersey’s municipalities form energy buying groups, they will have a good chance of obtaining cheaper electric and gas rates for local residents, businesses and municipal load.”

You may ask yourself, “What is municipal aggregation?” Municipal aggregation, quite simply, refers to customers in a defined geographic area who choose to form a group for the purpose of purchasing a commodity like energy. The Ratepayer Advocate believes that by forming energy buying groups, municipalities aid in the process of creating a level playing field for customers, giving small residential and business customers the same type of market power to negotiate lower power prices as the larger industrial customers.

In this new era of electric deregulation, the Ratepayer Advocate believes that large industrial customers will be the first to be able to negotiate cheaper rates, whereas residential and small business consumers may be left with fewer energy options. The reason why large industrials will receive lower rates is because of their large electricity usage. Small customers may be at a disadvantage because the amount of electricity individual customers use is relatively small; and, consequently brokers and energy marketers are likely to 'cherry pick' - go after the most lucrative consumers first and turn to the smaller customers much later in the process.

But if a town aggregates thousands of customers to form a buying block, the power generating companies and the gas suppliers will bid lower rates to get the lucrative business. A healthy load factor coupled with a meaningful "shopping credit" will put small customers in parity with the larger users.

***"If New Jersey's municipalities join together with their constituents to buy electricity, like they buy other services, they will have a good chance of getting cheaper electric rates," said Blossom A. Peretz, Ratepayer Advocate.***

### **How will Municipal Aggregation Work?**

The municipality's role in aggregation is to negotiate with an energy supplier on behalf of the aggregation group and select the supplier that offers the most advantageous terms and conditions. An additional benefit to joining a government aggregation program is the time and energy participants will save by escaping the chore of sorting through various offers given by the supply companies to determine which of the companies offers the "best" deal.

■ Consumer membership is voluntary. Customers located within that town can choose to join the aggregation, remain with their existing energy supplier, or negotiate independently with another supplier. The existing utility will still be required to serve customers if the customers do not make a choice;

■ The *Electric Discount and Energy Competition Act* guarantees that your municipality is only permitted to form an energy buying group if the rates offered are lower than the energy rates charged by your existing utility;

■ Municipal aggregation does not require that a town invest in utility poles, wires, transformers or other physical aspects of an electric power grid;

■ The municipality will not become involved in billing or servicing customers. The aggregated customers will continue to be billed individually by the energy supplier for usage. All service problems and complaints would go to the energy provider.

The Division of the Ratepayer Advocate, which represents the interests of all utility consumers--residential, small business, commercial and industrial--in an effort to protect the interests of New Jersey ratepayer's, would be pleased to work with you to explain energy competition. The Division is a party in every case where New Jersey utilities seek changes in their rates or services. The Ratepayer Advocate also gives consumers a voice in setting long-range energy, water, and telecommunications policy that will affect the rendering of utility services well into the next century.

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