

Community Choice Aggregation

A Tool for Municipalities



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About The Solar Foundation

Founded in 1977 and based in Washington, DC, The Solar Foundation is an independent nonprofit working to demonstrate the global benefits of solar energy through research and education.

NEW - CCA Fact Sheet:

http://www.thesolarfoundation.org/sites/thesolarfoundation.org/files/TSF_CCAfactsheet_Final.pdf

THE SOLAR FOUNDATION
Research and Education to Advance Solar Energy

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Community Choice Aggregation

What is Community Choice Aggregation?
Community Choice Aggregation (CCA) programs are bulk electricity purchasing arrangements through which municipalities are empowered to negotiate electric supply rates with power providers on behalf of the residents and business owners within their jurisdiction. CCA is somewhat similar to electricity deregulation, as it allows for separation between the generation and transmission and distribution services electricity consumers receive. Under a CCA, communities choose between generators based on cost of service and other factors, but receive this electricity through their existing electric distribution utility. In order for a community to engage in CCA, authorizing legislation must first be passed at the state level. Though the opportunity hasn't been leveraged or fully utilized in every case, CCAs provide consumers a chance to make a switch to renewable electricity while realizing significant savings on the generation portion of their electric bill. Once CCAs have been authorized, municipal or county governments within that state must approve their own programs – typically through a local referendum, council vote, or local ordinance.

A COMMUNITY authorizes its municipal government to procure electric supply services on its behalf.

The municipality then makes its **CHOICE** of electric providers, based on the rate it is able to negotiate with these suppliers and how the electricity is generated.

Cost savings are achieved through the **AGGREGATION** of customer demand, allowing the municipality to negotiate a bulk purchasing rates.

Where is CCA an Option?
As of early 2013, six states have adopted legislation allowing for municipalities within their borders to start a CCA program. Of these, five states have programs that include an option for, or provide by default, electricity generated from renewable sources. Other states (such as Pennsylvania) have pursued CCA legislation that was ultimately rejected, and Utah, New York, and Colorado are currently investigating the suitability of CCA for communities and consumers within their borders.

What are the Benefits of CCA?
Lower Rates and Price Stability
The primary benefit of a CCA is the reduction in electric supply rates achieved by aggregating local consumer demand into a single large load. By negotiating lower supply rates or a fixed percentage discount over non-CCA generation rates, many municipalities have been able to deliver significant cost savings to local consumers. The village of Campton Hill, IL was able to negotiate rates of between \$0.044 - \$0.048 per kilowatt-hour (kWh) for its customers, representing between 37% and 50% off the rates offered by the investor-owned utility (IOU) in the area.¹ The city of Cincinnati, OH took another path to securing savings for its citizens, obtaining not a fixed CCA rate, but a



¹ http://www.thesolarfoundation.org/sites/thesolarfoundation.org/files/TSF_CCAfactsheet_Final.pdf
² http://www.thesolarfoundation.org/sites/thesolarfoundation.org/files/TSF_CCAfactsheet_Final.pdf
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About the SunShot Solar Outreach Partnership



The SunShot Solar Outreach Partnership (SolarOPs) is a U.S. Department of Energy (DOE) program designed to increase the use and integration of solar energy in communities across the US.

Individual Consultations

If your community has identified a specific need or barrier to local solar development and is looking for guidance, the Solar Outreach Partnership may be able to provide assistance.

To learn more, email your request to:

solar-usa@iclei.org

Agenda

- Introduction
- What is CCA? – Sharon Durling
- What happened in Cincinnati? – Scott Stiles
- What about the utilities? – Brenda Fargo
- Questions
- Additional resources

Speakers

- Sharon Durling – Program Consultant,
Northern Illinois Municipal Electric Collaborative
- Scott Stiles – Assistant City Manager,
The City of Cincinnati
- Brenda Fargo – Government Aggregation Manager,
FirstEnergy Solutions

Community Choice Aggregation

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NIMEC

NORTHERN ILLINOIS MUNICIPAL ELECTRIC COLLABORATIVE

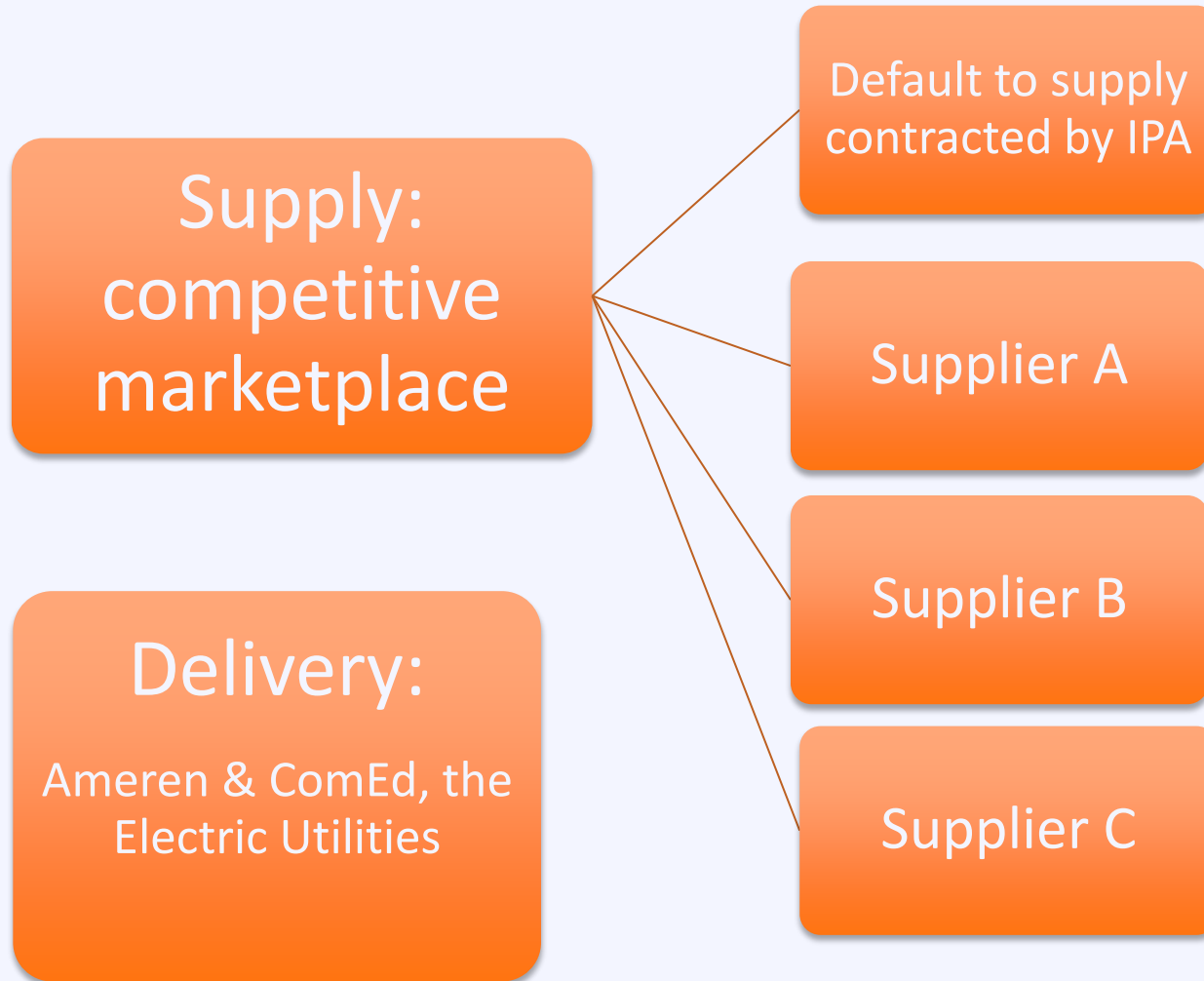
BANDING TOGETHER TO DRIVE DOWN PRICING

CCA in Illinois: The Backstory

1990s: Illinois began deregulation of electric supply to *increase consumer choice*

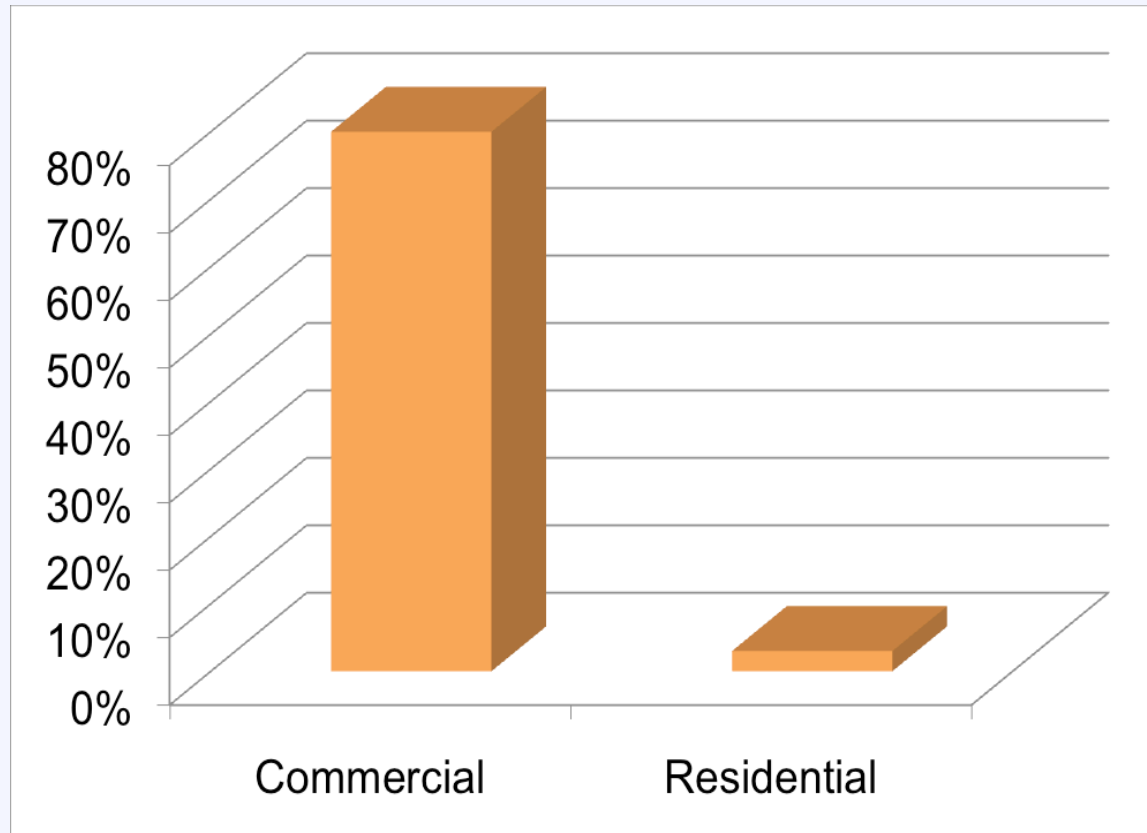
- *Delivery* still by EU (Electric Utility)
- *Supply* from multiple options
- Illinois Power Agency (IPA) created to contract supply on behalf of accounts that didn't switch to new supplier

CCA in Illinois: Deregulation



Why CCA?

Residents weren't switching to lower cost suppliers



What is CCA?

In 2009, Illinois legislature enables municipalities to “pool together” or aggregate resident and small commercial electric load

Purpose: **Help residents save money** by switching entire community to lower cost suppliers via “opt-out” program

CCA Process

- Public Hearings
- Voter Referendum
- Plan of Operation and Governance
- Load usage, customer data
- RFQs, RFPs
- Accept bid, select term, negotiate contract
- Notify electric accountholders
- Process opt outs; enroll with new supplier

Benefits of CCA

- Lower cost than through IPA
 - Price inefficiencies
 - “Wholesale” vs “retail” pricing

- Renewable Energy Certificates (RECs)
 1. Municipality mandates purchase
 - OR
 2. Individual accounts may “opt-in” to buy

NIMEC Results in Illinois

- Implemented programs for > 95 cities, villages and counties
- Population served > 1,500,000
- Annualized savings: \$175 million
- Household savings: \$150 - \$350/yr
Percent savings: 40% - 48%
- Significant participation: only 1% to 5% of eligible ratepayers “opted out” of CCA

RECs purchased via CCAs

30% of municipalities contracted for 100%

5% of municipalities contracted 25% or 50%

65% of municipalities created “opt in” for
accountholders to purchase 100%

*Minimum RECs required by Illinois law for all
ratepayers: 7%

Scott Stiles

Assistant City Manager, City of Cincinnati

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LinkedIn: <http://www.linkedin.com/pub/scott-stiles/9/52b/85a>



City of Cincinnati

- The City of Cincinnati, located in SW Ohio along the Ohio River, has a population of approximately 300,000 within a tri-state metro population of 2,000,000
- In May 2011, Cincinnati City Council approved a motion for electric aggregation to be placed on the November ballot
- Voters approved the ballot measure in November 2011
- Existing electricity provider was Duke Energy, based in Charlotte, NC
- Approximately 60,000 residential customers were to be potentially affected
- At the time, residents were paying a fixed price of **\$0.0598/kWh**

CCA Process

- In February 2012, an RFP was sent out that requested pricing for both a Conventional Retail Electric Service Produce and a Green Product backed by Renewable Energy Certificates
- In March 2012, the City applied for, and received approval, from the Ohio Public Utilities Commission to enter into a government electric aggregation program
- City Manager convened a 7-member screening committee, comprised of senior City staff and community representatives charged with reviewing proposals and recommending a vendor
- In March 2012, the screening committee received 7 proposals from vendors offering both conventional and green pricing

Outcome

Est Savings per household		
Proposer	24 mo Conventional	24 mo 100% Green
DPL Energy Resources	\$ 127.68	\$ 110.88
Duke Energy Retail Sales	\$ 31.84	\$ 26.05
Constellation NewEnergy	\$ 143.62	\$ 132.10
First Energy Solutions	\$ 156.30	\$ 133.14
AEP Retail	\$ 85.85	\$ 74.25
Direct Energy	\$ 104.64	\$ (24.96)
Cin Bell Energy	\$ 91.20	\$ 84.48

Outcome

- In April 2012, City Manager selected First Energy Solutions' 100% renewable electricity green product at **\$0.0468/kWh**
- Length of term – 24 months (June 2012 – May 2014)
- FES will retire one renewable energy credit (REC) for each MWh of net electrical sales
- FES will work with the City's Office of Environmental Quality to provide support for various energy efficiency projects
- Saved the average eligible household about \$133/yr. on their electricity bill; a 23% savings compared to the Duke Energy standard service offer
- Believe that Cincinnati became the first major city in the U.S. to go with a 100% green supply of electricity for its residents and small businesses.
- By switching 60,000 accounts to renewable energy, Cincinnati's carbon footprint was reduced by approximately 550,000 tons per year. That's the equivalent of taking 104,000 cars off the road.

Lessons Learned in Cincinnati

- Stakeholder communication is critical given the complex nature of commodity billing
- Understand the interests of your community
- May need the assistance of outside legal and utility consultants to properly prepare an RFP and to evaluate proposals
- Ensure that the supplier you select can meet the customer service expectations of your community post-aggregation
- Community Choice Aggregation can result in significant savings for residents

Brenda Fargo

Manager, Governmental Aggregation

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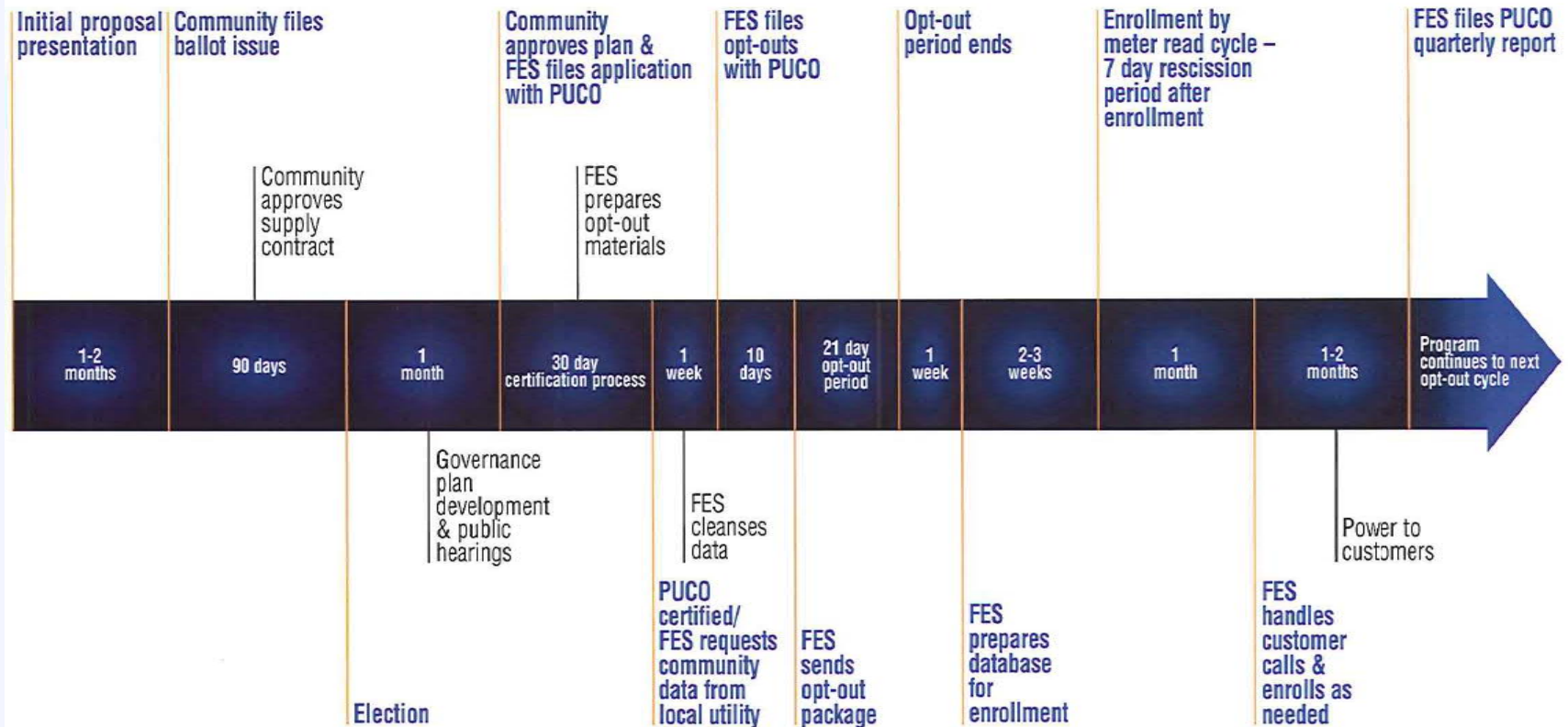


Aggregation in Ohio

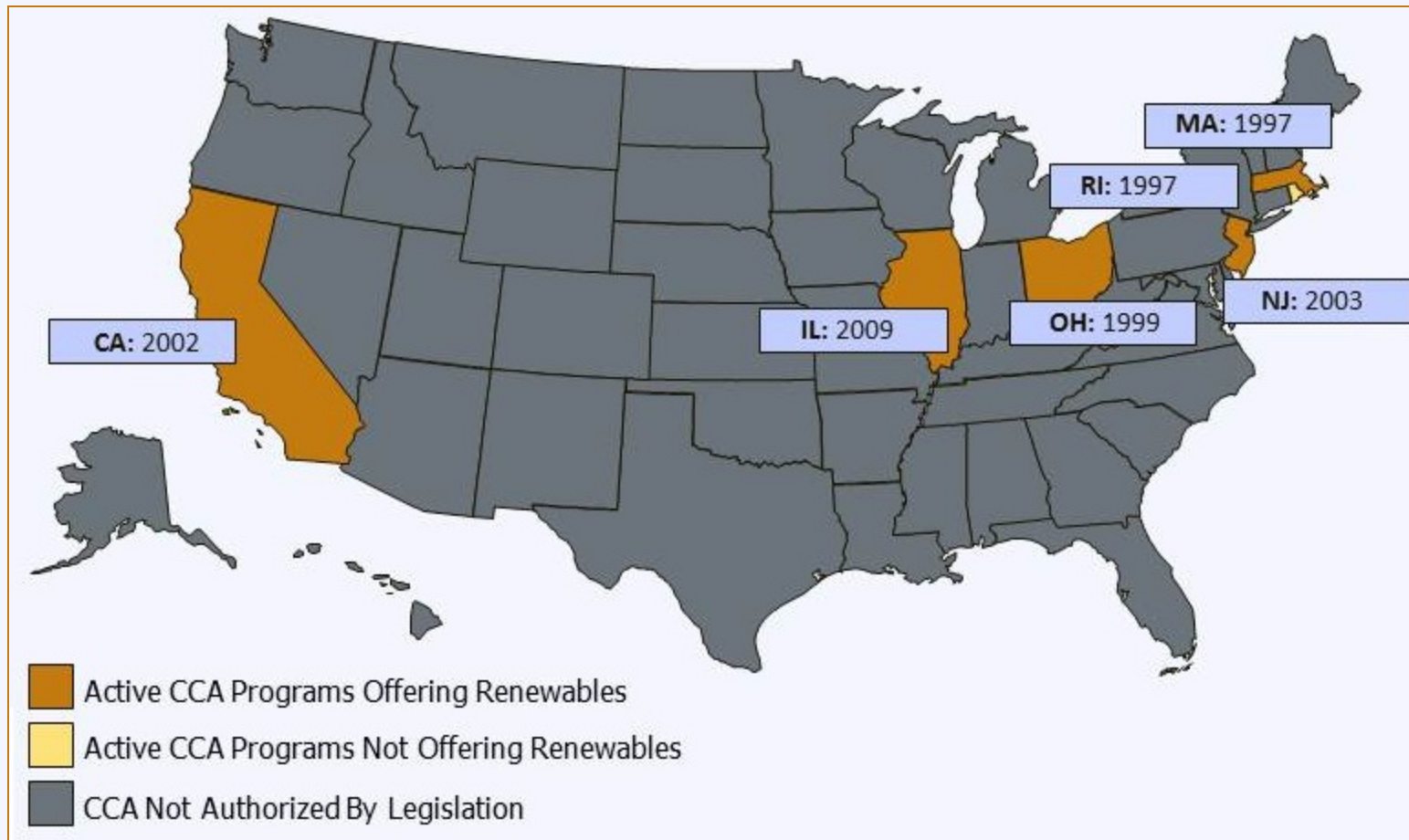
- Since Ohio's electric restructuring law took effect in 2001, hundreds of counties, cities, villages and townships have passed ballot issues approving governmental aggregation for their communities.
- Ohio's two largest governmental aggregators report that residential and small-business customers in their member communities have collectively saved more than \$100 million through opt-out governmental aggregation programs.
- Governmental aggregation programs have accounted for about 90 percent of all Ohio residential customers and 60 to 70 percent of all commercial customers switching to alternative generation suppliers.

Ohio Aggregation Process

Aggregation Projected Timeline



CCA Availability



Aggregation Activities in other States

- **Illinois** – 150+ communities including Chicago
- **California** – Marin Energy Authority
- **Massachusetts** – Cape Light Compact
- **New Jersey** – Plumsted Township
- **Rhode Island** – REAP – Rhode Island Energy Aggregation Program

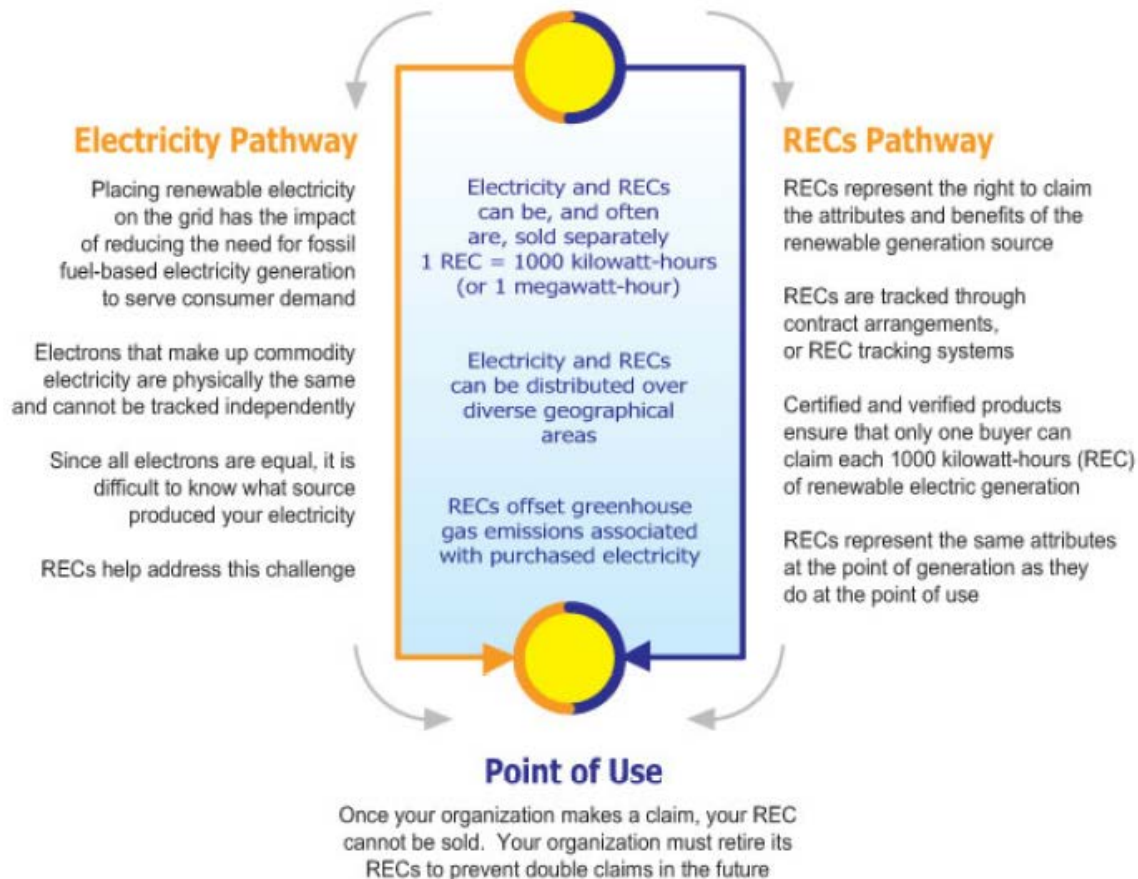
What are Renewable Energy Credits?

- Renewable Energy Credits (or "Renewable Energy Certificates" or "RECs") represent energy generated by renewable means, such as wind, solar, methane, hydro, etc as well as their environmental benefits.
- Each certificate represents proof that one megawatt-hour of electricity was produced by a renewable energy resource.
- REC's can be traded or sold, and the owner of the RECs can claim to have purchased renewable energy.
- RECs are a way to support and incentivize the development of renewable energy.

Renewable Energy Credit Process

Figure 1

Renewable Generation Source



Source: U.S. EPA

Cincinnati Program

- Renewable Energy Credits (REC's) to be retired in amounts equal to 100% of the load of the Cincinnati Program
- Sources
 - University of Cincinnati – Methane
 - Cincinnati Zoo – Solar
 - Wind
 - Hydro



Supplier Perspective

What makes electric aggregation attractive to suppliers?

- Lower Cost to Acquire Customers
- Stable, Predictable Load
- Potential for longer term Contracts

Questions?

- Please enter your questions in the webinar dialog box
- Please include your name and organization if you wish to be identified
- Follow up questions/comments can be sent to awinn@solarfound.org

Additional Resources

- [Fact Sheet: Community Choice Aggregation](#)
 - TSF/DOE Solar Outreach Partnership
- [The Local Energy Aggregation Network](#)
 - Non-profit focused on promoting new CCAs
- [Municipal Electric Aggregation in Massachusetts](#)
 - Massachusetts Department of Energy
- [Community Choice Aggregation Pilot Project Guidebook](#)
 - California Energy Commission
- To inquire about individual local government consultations, email your request to
 - solar-usa@iclei.org