



Electricity aggregation: Is it your best solution?

Are you considering joining with other businesses to buy your electricity supply? History shows that buying electricity as an aggregated group does not necessarily yield a lower price. Some customers receive a better price and negotiate a more advantageous supply contract without an aggregation.

Consideration #1. The reality in aggregations often is that some participants subsidize others. Suppliers *may* provide a lower price for an aggregated group with a large volume of kilowatt hours (kWh). But, each consumer has a unique usage profile, credit status, and payment history. These are all factors that suppliers scrutinize. Suppliers offer better prices to a customer with excellent credit, a spotless payment history, and an attractive usage profile. Do you want to be grouped with electricity customers that have poor credit, inconsistent payment histories, and less attractive usage profiles?

Consideration #2. Participants must accept the aggregation's "one-size-fits-all" solution, and surrender all bargaining power to the aggregation's manager. Each aggregation's supply contract and rules for participation are unique. If you discontinue participation in an aggregation, or if you terminate an aggregated supply contract before it expires, you likely will be required to pay an early termination fee to the supplier, and possibly an exit fee to the aggregation. The aggregation's manager is responsible for interactions with suppliers for price discovery, negotiating the supply contract, and educating participants. This fiduciary will determine the final contract terms and price. He or she should be independent, and be able to demonstrate a history of successfully advocating only for buyers.

Consideration #3. To ensure you obtain a competitively low price, price discovery should be received from many suppliers, not only one. Due diligence of suppliers includes investigating each supplier's licensing, billing policies, financial status, management structure, and customer service procedures. Price discovery should include a "green apples to green apples" comparison to ensure that all prices include the same price components, such as energy, capacity, NITS, line losses, sales taxes, etc. Does your aggregation's fiduciary make many suppliers compete aggressively for your business?

Consideration #4. Timing is important. Electricity prices change constantly during each day, and can fluctuate dramatically in a few days. You should research historical price information and understand price trends. Also, determine when and how much your utility's default supply tariff rate will increase or decrease in the coming year. Ensure that the aggregation's price is lower than your electric utility's default supply price to compare. If not, you are better served to revert to your utility's supply service. Consider contacting an energy consultant to provide education and insights, monitor the electricity market, and identify a good time to buy.

Best Solution? Is an electricity aggregation the best solution for you? When given the opportunity to participate, evaluate it thoroughly. Consider working with an experienced, independent energy consultant. Contact APPI Energy for a complimentary analysis of any aggregation you are considering. Call 800-520-6685 or e-mail info@appienergy.com.