12.) Energy and Climate Advisory Committee: Discuss Green Energy Aggregation "start a Community Choice Aggregation Program"

MAPC
METROPOLITAN AREA PLANNING COUNCIL
Smart Growth & Regional Collaboration

# Start a Community Choice Aggregation Program

Community choice aggregation (CCA), also known as municipal electric aggregation, is a way for one or a group of cities and towns currently served by investor-owned utilities to use bulk purchasing power to negotiate electric supply on behalf of their residents and small businesses currently on basic service. Typically in Massachusetts, residents and businesses receive their utility's basic service supply by default. Communities with CCA can contract for rates and renewable energy content with competitive suppliers and obtain funds to provide energy efficiency services to residents. This strategy outlines how to initiate a community choice aggregation program.

## Advantages and Disadvantages of CCA

Note: Some of the following benefits of CCA may not be able to be realized at the same time, such as lower rates and higher renewable energy content.

**Possible advantages of CCA include:**

- **Lower rates** – CCA rates can be lower than basic service rates depending on when rates are locked in and the bids are received. When deregulation occurred in Massachusetts in 1997, initial contracted rates were required to be lower than the investor-owned utility's standard offer. Since the standard offer expired in 2005, this restriction no longer applies.
- **Consumer education** –Public meetings, posted notices, press releases, newspaper articles and notifications enclosed in electric bills can lead to greater consumer awareness of where their electricity comes from and what other suppliers exist, in addition to informing consumers of their ability to opt out of the aggregation by choosing basic service or a competitive supplier.
- **Consumer protection** – As more energy brokers enter the deregulated market, consumers are increasingly approached by brokers attempting to sell them energy contracts. CCAs offer municipalities a way to vet brokers and suppliers for residents through government procurement procedures.

- **Increased renewable portfolio** – CCAs give communities the opportunity to purchase energy with a higher renewable content than the Massachusetts Renewable Portfolio Standard, which requires electric suppliers to obtain a designated percentage of their energy content from renewable sources each year. Through 2013, the state RPS requires that eight percent of electricity sales to end-users come from new (built after December 31, 1997) renewable energy sources, increasing by one percent each year with no mandated expiration date.

- **Reserve fund** – A municipality can choose to receive a fee from the supplier that can be dedicated to funding energy efficiency or renewable projects, such as the purchase and installation of high-efficiency streetlights or solar photovoltaic panels.

- **Energy efficiency funds** – If a municipality chooses to collect the systems benefit charge for energy efficiency (0.25 cents/kWh), it will gain control of the funds to run its own energy efficiency programs. To date, only the Cape Light Compact has done so in Massachusetts – likely due to the economies of scale available to a large regional aggregation.

- **Electric consumption information** – By forming a CCA, communities are able to more easily obtain data on their residents' aggregate energy use. This data, which is extremely useful for energy reduction and climate change planning purposes, can otherwise be difficult to acquire from investor-owned utilities (IOUs).

- **Rate stability** – CCAs can choose longer-term contracts (a year or more) in order to buffer customers from the volatility of the electricity market.

**Possible disadvantages of CCA include:**

- **Higher rates** – After the contract has been executed, the utility's basic service rates could drop below the CCA rates. Note that as of November 27, 2013, the DPU has decided that aggregations cannot be temporarily suspended. If an aggregation puts it customers back on the utility's basic service, it will need to go through the plan approval process again in order to return them to competitive supply.

- **Political fallout** – Some residents and small businesses may be upset that the program is opt-out rather than opt-in. Additionally, there could be backlash if basic service rates drop below the CCA rates or the program is disbanded.

- **Administrative costs** – While brokers who are paid by the supplier rather than the municipality do much of the research and paperwork for the CCA, municipal employees must monitor the brokers and deal with public response.

## Program Overview

| Implementation Steps | Objectives | Key Implementers | Estimated Time Frame |
|---|---|---|---|
| **Initial research** | Learn about CCA and the potential role it could play in your community. | Town Administrator or Relevant Municipal Staff | |
| **Authorize CCA** | Authorize development of an aggregation plan by majority vote in city council or town meeting. | City Council or Town Meeting | 1 month |
| **Issue RFP for energy broker (optional)** | Hire a broker for assistance in the design, implementation, and ongoing monitoring of the aggregation plan. | Town Administrator or Energy Planner | 2 months |
| **Develop aggregation plan with DOER** | Draft a plan with the input of DOER that meets the goals of the community and the requirements of the DPU. | Broker, Town Administrator or Energy Planner | 2 months |
| **Approve aggregation plan** | Authorize plan to be filed with the DPU. | City Council or Board of Selectmen | 1 month |
| **Submit aggregation plan to DPU** | Petition the DPU to authorize the CCA. | Broker | 6 months |
| **Issue RFP for competitive supplier** | Solicit competitive bids for the CCA contract. | Broker | 1 month |
| **Execute contract with supplier** | Choose supplier for the CCA. | Town Administrator or Energy Planner | |
| **Notify customers** | Inform customers about the CCA and the opt-out period. | Broker | 2 months |
| **Begin automatic enrollment** | Enroll basic service customers who have not opted out. | Utility | 1 month |

## Program Implementation Steps

### 1. Initial Research.

- **Conduct feasibility study** – Consider conducting independent research, as well as meeting with multiple energy brokers for expertise and guidance. Although the Department of Energy Resources (DOER) aggregation guide recommends feasibility studies, which outline potential savings, analyze power supply information and provide engineering evaluations of the distribution network, they are not required. However, brokers often include this information in their formal bid to the municipality or in informational sessions prior to release of the broker RFP. Therefore, paying for a formal feasibility study may be an unnecessary expense.

- **Contact DOER** – Municipalities should reach out to the DOER as early in the process as possible through the Green Communities Regional Coordinator for their region, even if the community has not received a Green Community designation.

## 2. Authorize CCA

- **Vote in city council or town meeting** – Before a municipality can design an aggregation plan, there must be an affirmative vote at city council or town meeting. If two or more municipalities decide to pursue a joint CCA, they must individually authorize it by majority vote.

## 3. Issue RFP for Energy Broker (Optional)

- **Hire a broker** – Massachusetts General Law does not require municipalities to contract with an energy broker to facilitate the CCA process; however, due to the significant time investment and technical knowledge brokers provide, the five individual municipalities that have implemented CCA in Massachusetts as of August 2013, hired a broker for assistance in the design, implementation, and ongoing monitoring of their aggregation. Brokers also assume the majority of the upfront risk for the process, including legal and Department of Public Utilities (DPU) filing fees. They do not receive compensation until after the competitive supplier has been chosen. Brokers are paid by the supplier, and in Massachusetts have historically received $0.001 (a mil adder) per kWh consumed by the CCA. The broker helps develop the aggregation plan, assists in the DPU approval process, and issues the RFP for a competitive supplier once the aggregation plan has been approved. The broker can also facilitate the customer opt-out notification process (typically paid for by the supplier) and provides ongoing customer support. Additionally, the broker monitors competitive supply and utility rates on an ongoing basis.

- **Bid out contract** – Broker contracts are exempt from standard procurement procedure (M.G.L. ch. 30B), but procurement may provide transparency and defend the validity of the municipality's ultimate choice if those consulting services are obtained through a competitive Request for Proposals (RFP). Using the competitive process outlined in M.G.L. ch. 30B, even for exempt contracts, is considered a best practice by the Massachusetts Office of the Inspector General.

## 4. Develop Aggregation Plan with DOER

- **Draft plan** – The plan must demonstrate how the CCA will provide universal access, reliability, and equitable treatment of all classes of customers. The broker typically designs the plan based upon the specific needs of the municipality. Each municipality is required to consult with DOER prior to submitting the plan to the DPU. This consultation is intended to help streamline the DPU approval process by identifying areas in the plan that are unclear, that have previously caused delays for other CCAs, or that may otherwise be flagged by the DPU or the Attorney General.

### 5. Approve Aggregation Plan

- **Review and approve** – A municipality must make the plan available for review by its citizens through a public posting or hearing, and the plan must be approved by the board of selectmen or city council.

### 6. Submit Plan to DPU

- **File for DPU review and approval** – The municipality, with the help of the energy broker, must petition the DPU to officially authorize the CCA. This is typically the longest part of the process. It includes an initial filing with DPU, comment periods where other parties may intervene with questions or concerns (such as the Attorney General or the IOU in the service area), information request and discovery periods, and a public hearing. Electronic copies of DPU filings, comments and follow-ups are available on the DPU website, and municipalities should review the proceedings of previous CCA plans to avoid delays caused by questions that have been addressed in prior filings. If a plan is found to be in compliance with regulation, it will be approved by a formal order.

### 7. Issue RFP for Competitive Supplier

- **Set parameter for supply bids** – The RFP for competitive supply should articulate the specific energy needs of the municipality identified in the CCA plan. Suppliers may be asked to bid on multiple supply and term options. For example, if the municipality wants to offer residents an option to buy power that exceeds the Massachusetts RPS, it may request that the supplier provide pricing for both a basic rate and "green" rates with certain percentages of renewable content. Many RFPs ask for 3-, 6-, 9-, 12-, and 24-month options. While longer-term contracts (6-plus months) may offer a certain amount of price stability, several of the approved aggregation plans have chosen to pursue six-month contracts that mirror the six-month timetable that the IOUs are required to follow. The energy broker is typically responsible for issuing the RFP for competitive supply on behalf of the town, evaluating bids according to the specific goals of the municipality, and recommending a supplier.

### 8. Execute Contract with Supplier

- **Choose competitive supplier** – The municipality ultimately chooses the supplier and executes the contract.

### 9. Notify Customers of Opt-Out Period

- **Detail opt-out choices** – The CCA must inform basic service customers by mail at least 30 days prior to automatic enrollment that their electric supply will be switched to the chosen competitive supplier and the new rate. They must also notify affected customers that they have the right to opt out of the CCA within 180 days without an exit charge and anytime thereafter (historically, also without an exit charge). The notification must also disclose the utility's basic service rate and detail how customers can opt out or choose

another competitive supplier. The customer may also opt out or in at any point by contacting the broker or supplier. For the five individual municipalities that have authorized CCA, the opt-out process was funded by the supplier and administered by the energy broker. Customers could opt out by returning the initial opt-out postcard, by phone, or online by visiting the broker's website.

### 10. Begin Automatic Enrollment

- **Enroll basic service customers** – All ratepayers on the utility's basic service who do not opt out of the CCA will be automatically enrolled in the plan. They will continue to receive an electricity bill from their utility, which displays separate delivery and supply charges. Delivery charges (distribution, transmission) will remain with the utility, but the supply section (generation charge) will list the new competitive supplier. Customers will pay one bill directly to the utility, and supply charges will be passed through the utility to the supplier.

### 11. Monitor Market (Ongoing)

- **Watch rates** – The broker continues to monitor the electricity market, secures rates when they are favorable, and notifies the municipality if utility basic service rates have dropped below competitive rates.

### 12. Submit Aggregation Status Report (Annually)

- **Compile CCA performance data** – Within 30 days of the end of the first year of operation, a CCA must submit an annual aggregation status report to the Director of the Green Communities Division of DOER. The status report should include the number of participants by customer type (residential, commercial, industrial), the number of customers opting out by type, load served, contractor costs, and savings data.

### 13. Pursue Energy Efficiency Systems Benefit Funds (Optional)

- **Administer energy efficiency programs** – Massachusetts CCA legislation (M.G.L. Ch. 164 S. 134b) allows a municipality to administer the energy efficiency systems benefit charge currently paid by all ratepayers of IOUs. IOUs administer energy conservation and efficiency programs through MassSave, but municipalities pursuing CCA may choose to take this funding to run their own localized efficiency programming that conforms to MassSave guidelines. Currently, only the regional Cape Light Compact has pursued this option. The burden of administering efficiency programming might be cost-prohibitive for single-municipality CCAs due to economies of scale.

- **Adopt energy plan** – If a municipality decides to seek control of these funds, it must adopt an energy plan through an affirmative vote in city council or town meeting that articulates how the CCA will administer demand-side management programs. The plan must be approved by the DPU. Municipalities interested in administering the energy efficiency systems benefit charge should review the Cape Light Compact DPU filings and consult with the DOER.

## References


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- "Guide to Municipal Electric Aggregation in Massachusetts." Department of Energy Resources. (2004) http://www.mass.gov/eea/docs/doer/electric-deregulation/agg-guid.pdf
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# Community Choice Aggregation for Wayland, MA

Wayland Energy and Climate Committee

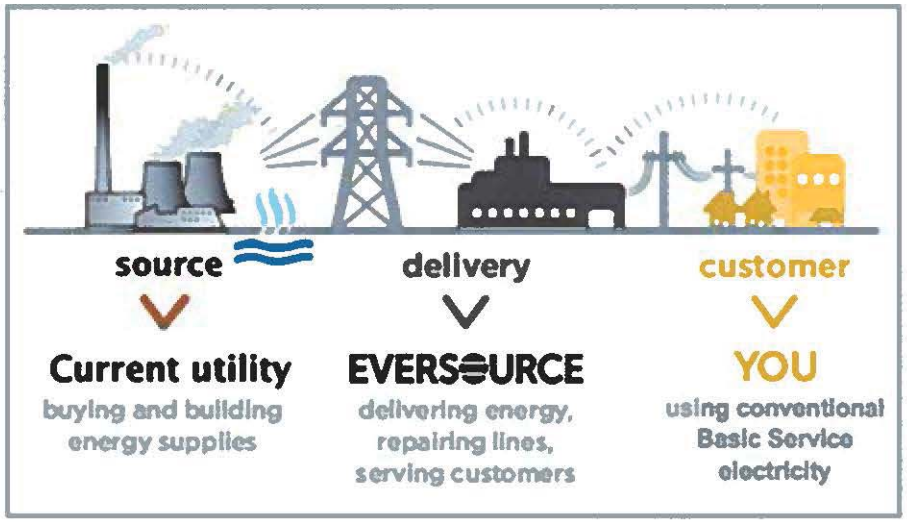
Town of Wayland Board of Selectman

November 25, 2019

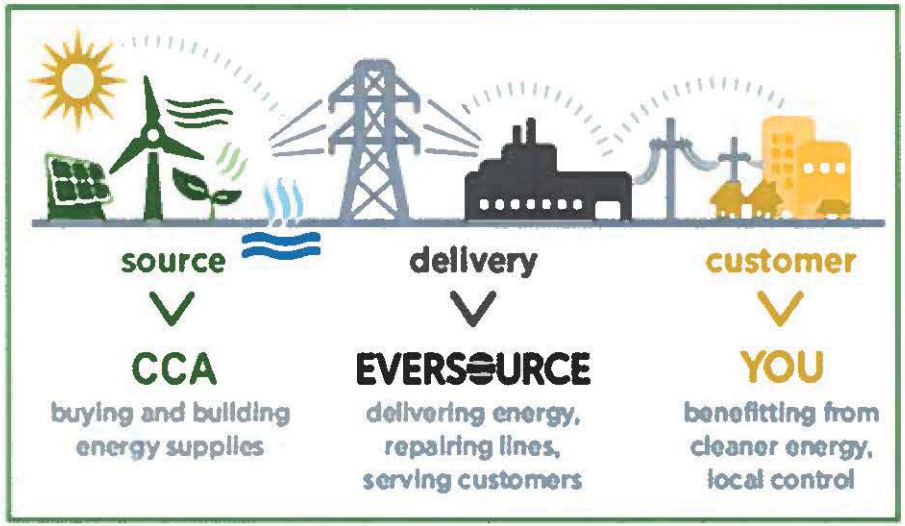
# How Does CCA Work?

## Only the source of electricity supply changes

Now:




With CCA:



# What is Community Choice Aggregation (CCA)?

- A **regulated process** by which municipalities can purchase electricity supply in bulk for all households and small businesses, replacing the utility's Basic Service plan.
- An effective "tool" allowing a community and its residents to **choose their energy supplier** and to switch to **more renewable energy**, reducing emissions that contribute to climate change.
- An opportunity for residents to select different **energy mixes** at **competitive and stable electricity supply rates**, or to **opt out at any time** and return to Eversource basic service.
- A **seamless transition**; all electricity is still distributed and billed through the original utility.

# Benefits of CCA

- **Renewable energy production increases, emissions decrease,**
  - Adds more renewable energy to supply mix, beyond the state mandated 14% RPS
  - Promotes locally produced green electricity and invests in the New England economy
- **Consumer choice and vetted offerings**
  - Residents can retain vetted/negotiated CCA supplier or opt out to Eversource supplier
  - Residents can avoid the frustrations and challenges of finding their own supplier
  - CCA is well regulated and overseen by DOER and DPU
- **Minimal municipal staff support required**
  - Consultant manages implementation/operation (e.g., tracking rates, opt in/out)
  - Consultant is paid by fees on supply rate
- **Stability and competitive rates**
  - Negotiate longer-term (2-3 year) supply contracts, in contrast to Basic Service rates which change every six months.
  - Rates are competitive or often lower than Basic Service rates. But: Prices can fluctuate and Basic Service rates may be lower than the CCA program rate

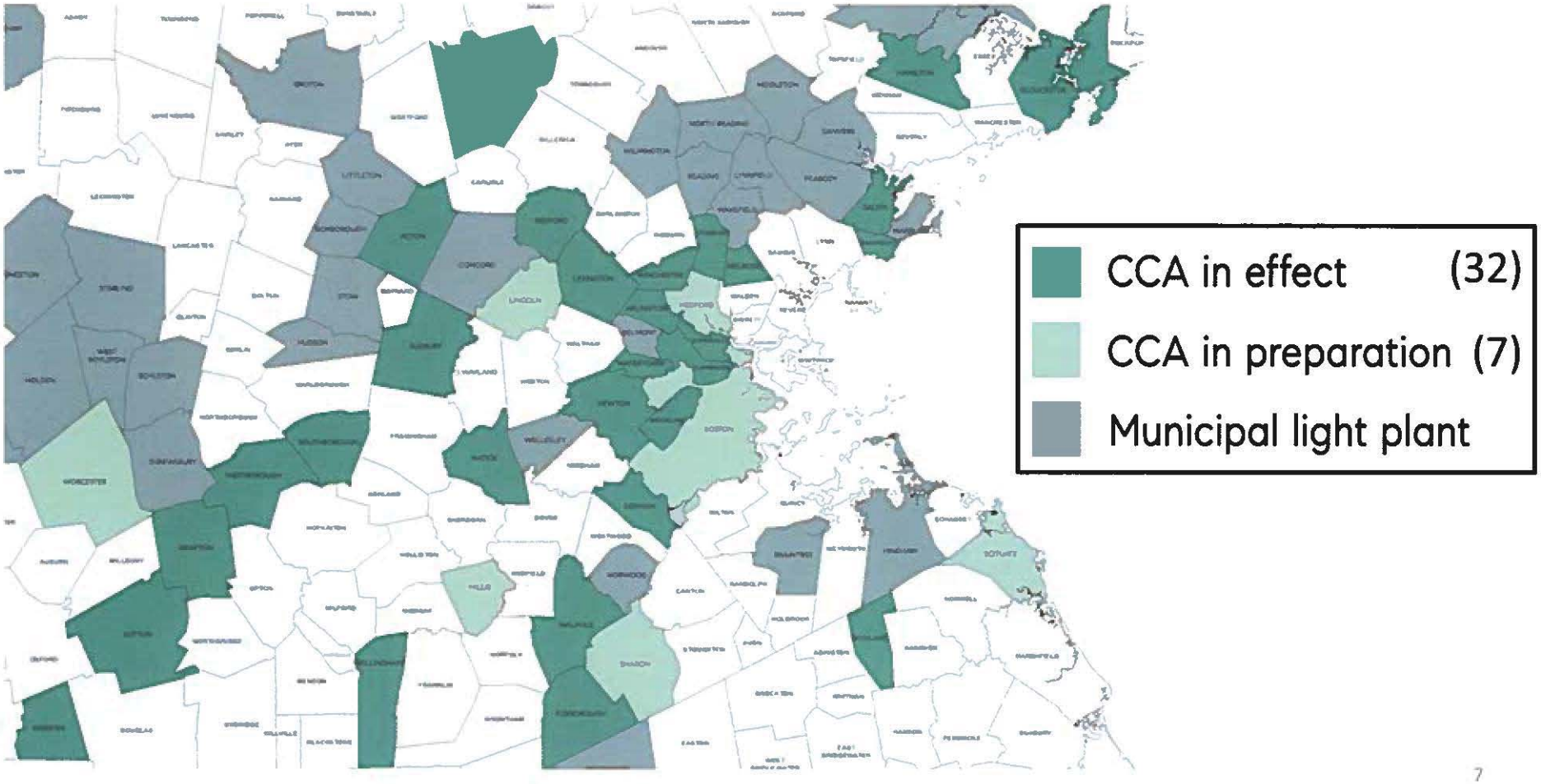
# Regulated Process to Implement CCA


1. Town Meeting Approval
2. Issue RFP to hire an consultant/energy broker
3. Consultant develops aggregation plan with DOER — no cost to the town
4. BoS approve aggregation plan — no obligation to proceed
5. DPU reviews and approves plan — no cost to the town
6. Broker issues RFP for competitive supplier — no cost to the town
7. Town chooses competitive supplier — no obligation to proceed
8. Community education and outreach

# How the Program is Managed

- Consultant
  - Handles implementation and operation
  - Paid by fee included in supply rate
  - Fee paid by the supplier to the consultant
- Utility
  - Everyone continues to receive a single bill from utility (National Grid or Eversource)
  - Utility continues to maintain wires, poles, etc.

# ‘Green’ CCA is expanding in MA



# Sample Supply Rates and Options in Nearby CCA Towns

| Town | Standard Option (Default) Renewable % (1) | Cost/kWh | Plus/Premium Option Renewable % | Cost/kWh | Basic Option Renewable % | Cost/kWh | Contract Length |
|---|---|---|---|---|---|---|---|
| Acton | 24% | **$0.1099** | 100% | $0.1267 | 14% | $0.1074 | 3-year |
| Lexington | 100% (2) | **$0.1162** | 100% | $0.1243 | 14% | $0.1149 | 2-year |
| Natick | 24% | **$0.1126** | 100% | $0.1306 | 14% | $0.1103 | 18-mo |
| Newton | 60% | **$0.1134** | 100% | $0.1175 | 14% | $0.1087 | 22-mo |
| Sudbury | 19% | **$0.1075** | 100% | $0.1312 | 14% | $0.1062 | 3-year |
| Watertown | 49% | **$0.1149** | 100% | $0.1272 | 14% | $0.1065 | 2.3-year |
| Average | 46% | **$0.1124** | 100% | **$0.1263** | **14%** | **$0.1090** | |
| Eversource Basic (EBRS) | 14% | **$0.1221** | 14% | **$0.1221** | 14% | **$0.1221** | |
| Avg vs. EBRS | 32% | **-8%** | 86% | **3%** | 0% | **-11%** | |
| Worst case vs. EBRS | 10% | **-5%** | 86% | **7%** | 0% | **-6%** | |

(1) Includes the 14% minimum required in 2019 from newer renewable energy projects in New England (MA Class I RECs).
(2) Incl. 19% from renewable electricity projects in New England (MA Class I RECs) and 81% from wind projects outside NE.
(EBRS) For cost/kWh used the average of $.13588 for Jan-June 2019 and $.10836 for July-Dec 2019.

Note: "Contract Length" refer to the full contract term.

# Possible Structure for Wayland

| Rate Option | Action taken by residents | Energy Mix |
|---|---|---|
| Default | none | To be determined, could be - maximize proportion of green electricity* while maintaining rate as close as possible to Eversource basic rate |
| Premium | opt-up | 100% class 1 renewables |
| Eversource Basic | opt-out | 14% renewables, minimum by law |

* We can specify Class 1 RECs for New England supplied green energy