

# BACKGROUND

## After Sandy: Is Electricity Deregulation Meeting Its Promises?

Electricity deregulation in the early 2000's promised a brave new world of monetary savings, energy conservation, and reduced greenhouse gas emissions. Recent natural weather events, such as Hurricane Sandy, have taxed the power grid and raised questions about the fulfillment of deregulation's promises.

Freedom Energy Logistics and its sister companies Halifax American Energy Company and Resident Power offer electricity management services to large, medium, and resident and small business accounts. The companies have been at the fore of deregulation activities from the beginning, and their principals offer deep understanding of legislation, the New England Power Grid and Power Pool, and how energy markets work—or don't.

August "Gus" Fromuth, Managing Director of Freedom Energy Logistics (FEL) of Manchester, NH, is a 33-year veteran of the energy industry and a pioneer in bringing affordable electric power to New England consumers. Active in New England energy markets since the mid-1990's, he was instrumental in the design and refinement of processes that now allow end users to participate directly in wholesale electricity markets, and he has continuously advocated means by which consumers at all levels of consumption can better predict and control their energy bills.

## Has Deregulation Led to Monetary Savings?

As might be expected, initial efforts to bring electricity supply choice to consumers was focused where there were efficiencies of scale. ISO-New England, the Regional Transmission Organization (RTO) charged with ensuring the capacity, safe and fair transmission of electricity across the New England states, was among the first of the nation's 10 RTOs to encourage large commercial, industrial and institutional users to become self-suppliers on the wholesale market.

By learning to assess trends, control consumption and build efficiencies into processes, Large End Users often save 10-25% over the Standard Offer of their utility.

Because electricity can be bought in Real-Time, on the Day Ahead Market, or on the Forward Markets, energy managers can take advantage of natural fluctuations created by the most basic of economic theory: supply and demand. For instance, when demand drops precipitously during natural weather events, users buying electricity in Real-Time can see abnormally low rates—even as low as \$0/hour.

Self-suppliers are encouraged to gauge their consumption by the expected demands on the total system: cutting back on energy-intensive activities when demand is high or ramping up production when demand is low.

In addition, intelligent regulation of electricity usage by industry, business and institutions leads to reduced energy traffic, thus decreasing the call for costly old generators to come on line or new generators to be built.

Nearly 70% of all Large End Users in New England now procure their electricity from sources other than their local utility. However, resident and small commercial electricity accounts are at a natural disadvantage, not creating enough electricity demand to warrant the initial fees and intense training required to be a savvy self-supplier or a valuable client to an energy manager like HAEC.

It is only in the past 18 months or so that competitive suppliers have created programs to service such small accounts. A handful of companies in each state broke into the markets and have been followed by a rush of competitors.

Programs offered fall into one of two categories: supplier or aggregator.

Suppliers buy electricity and resell it to their customers, making their profit in the passthrough. Consumers are guaranteed a price but are locked in to the rate that only that company offers.

Aggregators pool groups of accounts and use collective buying power to purchase electricity from any of a number of competing suppliers for less than the comparable utility rate. Small electricity user accounts are consolidated into large contingents, and energy wholesalers bid to achieve best rates for the group.

On average, small users taking advantage of electricity supply options can save 8-15% on the supply portion of their electricity bill annually, although monthly savings can vary, depending on changes in the utility's standard offer price.

## Has Deregulation Led to Energy Conservation?

Yes.

And no.

More than half of all New England Large End Users procure their electricity from sources other than their local utility. The decision to leave the utility is often part of larger efforts to reduce usage and control costs. The resulting savings can be sizeable. Callaway Golf, a HAEC customer located in Chicopee, MA, is a good example:

- Callaway has reduced its electricity consumption from 3000 MWh/month to fewer than 1500 MWh/month since 2007. (A town of 4000 can be powered by 3000 MWh/month.)
- Callaway reduced its load profile from 5000 kWh/hr to 2500 kWh/hr.

In addition, Callaway reduced its greenhouse gas emissions by 1,547 metric tons.

Unfortunately, the implementation of technologies that could spur small consumers to similar increased conservation of electricity has not evolved to the same level. Despite the U.S. Congress' 2005 Energy Policy Act that directed all utility commissions to advance to hourly-based models to encourage demand response, few Public Utility Commissions have forged ahead in requiring utilities to implement the Smart Grid technologies required.

Some commercial entities have stepped in to spur smart meter and demand response programs. FEL did just this in a smart meter trial run in conjunction with Maine utility Bangor Hydro Electric.

## Has Deregulation Reduced Greenhouse Gases?

Electricity deregulation lets consumers make choices about the source of their electricity supply and gives them the information needed to stem use at peak hours.

Whether a Large or Small End User, a self-supplier or receiving services from a supplier or aggregator, consumers can analyze the federally-mandated Energy Disclosure Label from their supplier to determine the source and environmental impact of the electricity they receive.

In addition, self-suppliers are required to buy RECs (Renewable Energy Credits) to offset purchase of electricity from sources with heavy carbon footprints.

Consumers who buy electricity in Real-Time are encouraged to use electricity at periods when demand is not high. This reduces load on generators; minimizes the pull on the New England Grid's capacity that would require older, less clean generators to come on line to satisfy demand; and decreases the necessity of building more generating facilities.

(To speak to an energy expert at the FEL family of companies, please contact Barbara Wilson, [media@felpower.com](mailto:media@felpower.com) or call 603.986.4191.)