

Town Governments Urged To Pursue Program To Bargain With Different Electricity Suppliers

By

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Those desiring a free market for Long Island's electricity are urging Southampton and East Hampton towns to plug into a state law that, proponents argue, has the power to break the current monopoly and give ratepayers the collective ability to negotiate cheaper rates.

Created in 2014—and already paying dividends for certain ratepayers in Westchester County—the legislation allows individual municipalities to form their own community choice aggregation program, referred to as a CCA. Under such a program, a town board, or its appointed agent, serves as broker for all of a municipality's residents, permitting it to solicit competitive bids from different power suppliers.

As part of that process, the agent can stipulate what percentage of power comes from renewable energy sources, such as solar and wind farms—a major selling point to those demanding greener energy.

Individual ratepayers could opt out of the program at any time, with no financial penalty, if they prefer to continue receiving their energy from the Long Island Power Authority.

Led by Energy Chairwoman Lynn Arthur, members of Southampton Town's Sustainability Committee are now requesting that the Town Board pass a resolution that creates a local CCA as soon as possible—even though she and others note that there are many unknowns at this point and no guarantees that electrical rates would actually decline under the new system.

Though she doubts that rates would be the same or even higher under a CCA, Ms. Arthur said the town would be under no obligation to pursue one if it is ultimately determined that the current system is, in fact, the best one. She vehemently stressed that the town could pull the plug on the program at any time, for whatever reason, up until it signs a contract with a power supplier—a position it would not be in for months, if not longer, considering that the town has not yet agreed to create the CCA.

Still, she said she's confident that the CCA is the best route for ratepayers in Southampton Town, as well as its closest neighbors to the east, west and north, with a nod to the current setup that offers no alternatives and gives ratepayers no say in demanding a utility that offers cleaner energy production options.

"There is no market on Long Island—we have a monopoly," she said, referring to LIPA, which services Long Island's 1.2 million ratepayers. "When we get the CCA on its feet, we will have an actual market and we will get bidders."

To that end, she's been making the circuit across the town, attending community and civic meetings several nights a week to explain the perks of the program and encourage residents to support the push to get the Town Board to create the CCA.

"The main goal is to get the local law on the books and start the process," she added. "There's absolutely no risk in doing that. The risk does not begin until we sign a contract."

'A Complicated Issue'

Southampton Town Supervisor Jay Schneiderman said he is intrigued by the proposal, agreeing that his town—and potentially East Hampton and Brookhaven, if they sign on—would wield considerable bargaining power under a joint CCA, suggesting that it could potentially find some success on the open energy market.

But he warned that it is a "complex issue," explaining that the LIPA Board of Trustees—the state entity that owns all of the transmission lines and distribution lines on the island—would need to give Southampton its blessing to pursue such a venture.

Further muddying the water is LIPA's current contract with Public Service Enterprise Group-Long Island, or PSEG Long Island, a for-profit entity that will oversee Long Island's power grid through 2026. One of the utility's duties is to negotiate power purchase agreements with electrical suppliers, the same responsibility that would be assumed by the proposed CCA. Under the current agreement, PSEG tries to secure the lowest electrical rates for its customers.

Mr. Schneiderman said convincing LIPA's board that Southampton Town's ratepayers should "break away" from the utility could pose a "serious problem."

It is for that reason, and others, that Mr. Schneiderman says he's reluctant to immediately sign off on a CCA, saying he needs to complete due diligence before approving its creation.

"It's a complicated issue—one of the most complex things the Town Board has ever looked at," the supervisor said. "I'm far from ready to embark on this journey—not even close at this point. There are a lot of unknowns and, right now, I have far more questions than answers."

Jen Hayen, a spokeswoman for LIPA, said the board has not yet reviewed an application for a CCA from any Long Island municipality. If Southampton Town opts to pursue such a

venture, LIPA's board would begin considering potential changes to its billing system, stating that a special "CCA tariff" would most likely be required.

She also pointed out that while LIPA has other special tariffs in place, such as a Long Island Choice tariff that allows individual customers to enroll with a pre-qualified energy service company to provide them with electricity, no tariffs currently exist to address the potential "en masse" enrollment of customers to outside power suppliers. Still, she said the lack of a special taxing mechanism does not mean that LIPA's board would attempt to block the creation of a CCA on the East End, or elsewhere on the island.

"If LIPA were approached by a municipality wishing to form a CCA, we would undertake a review of what if any changes to our tariff and procedures would be needed to accommodate the municipality's specific request," Ms. Hayen wrote in an email.

She later added: "The process to amend LIPA's tariff takes approximately six months due to the requirements of the State Administrative Procedures Act on our side."

Ms. Hayen pointed out that LIPA and energy service companies servicing individual customer accounts on Long Island are buying their power in the same market, suggesting that a CCA would most likely be soliciting bids from the same group of suppliers. "Therefore, there are unlikely to be significant differences in electric rates for CCA customers," she said, adding that current LIPA customers enrolled in similar programs, though independently, have not seen significant savings.

LIPA's Board of Trustees also retains the authority to reject any CCA application, though Ms. Hayen said that would happen only if members found it violates local laws and regulations, or goes against "prudent utility practice, or the utility's tariff for electrical service."

Successful Pilot Program

Those looking to create a CCA on the East End are pointing to a successful pilot program in Westchester County. Glenn Weinberg, the vice president of policy and markets at Joule Assets, the energy management firm hired to administer that CCA, known as Westchester Power, said that roughly 115,000 ratepayers living in the 25 municipalities included under that umbrella have saved in excess of \$15 million since 2014, the first year of the program.

In comparison, Southampton Town, when including its seven incorporated villages, would be negotiating on behalf of 50,000 ratepayers, though that number could jump to in excess of 75,000 if East Hampton Town joins the mix. Even if it cannot find a partner, Mr. Weinberg says Southampton Town, and its 50,000 meters, has enough consumers to wield collective bargaining power.

He added that it is too early in the process to know if power rates would decrease under a CCA in Southampton Town, adding that the local law being urged by Ms. Arthur and others would be the "first enabling step" allowing officials to begin an examination.

While acknowledging the early success of the Westchester program, Mr. Schneiderman pointed out that those ratepayers had been previously buying their power from independent suppliers, so making a switch was a relatively smooth process. LIPA's existence and required approval, as well as its contract with PSEG, are obstacles that would have to be navigated if his town opts to explore its options.

"PSEG is buying power at a very competitive rate," the supervisor said. "They are paying suppliers a set fee for being able to produce electricity. And then they buy from those suppliers, from whoever is the lowest at that particular moment. They are buying power in real time."

Both Mr. Weinberg and Ms. Arthur are saying that a CCA is looking to control what companies supply the power and, ideally, lock in those who can offer the cheapest rates for several years at a clip. However, one of the advantages of the program is that administrators have the option of sometimes taking the slightly more expensive option, if desired by ratepayers, if it means the supplier is generating most or all of its power from renewable energy sources.

"The final say ... always rests with the consumer," Mr. Weinberg said, adding that most CCAs see about 10 percent of their ratepayers opt out of the program.

Willing Partners

Brookhaven Town Supervisor Ed Romaine, who said he'd be willing to team up with Southampton Town—and any of the other five East End towns if feasible—to pursue a joint CCA, was blunt in his opinion of LIPA's role of potential obstructionist.

"You need an entity, like a government, who has the wherewithal to pursue a lawsuit," said Mr. Romaine, adding that one would most likely be filed by LIPA once a municipality makes the first move to pursue a CCA.

Still, he said that potential litigation should not dissuade them from pursuing different supply options. "My attitude is that a CCA is definitely worth exploring," Mr. Romaine said, adding that a savings of 6 or 7 cents per kilowatt could trim nearly \$1 million from his town's \$6 million annual electric bill.

CCA proponents in East Hampton are also interested in having their town join the CCA, according to Frank Dalene, president of Telemark Inc. in Wainscott and a longtime member of East Hampton Town's Sustainability Committee. While he agrees that there are still a lot of unknowns, starting with potential savings under the program, he thinks it is an idea worth exploring.

He also acknowledges that LIPA is going to have to play ball as well. "There will have to be some cooperation, and whether they will willingly do that is unknown at this time."

Ms. Arthur emphasized that the immediate main goal is to get the local law on the books and start the investigation process. She said the next public hearing on the proposal will be at Southampton Town Hall on January 22, 2019.

“If we come through this process and the rates are higher, we stop,” she said. “That’s a prerequisite ... We’re not going to do that. We’re not going to make people pay more money.”

Mr. Schneiderman said he understands the situation, but would prefer to complete his homework before making any sort of commitment.

“They want us to be the first,” the supervisor said, referring to those pushing for the CCA’s creation in his town. “Sometimes being the first is a good thing as you always want to be ahead of the curve.

“But sometimes, sometimes, it is not good being the guinea pig,” he continued. “Not everyone has had positive experiences with CCAs.”