

## A Consultant's Role in Illinois Government Aggregation

*Stories From the Front*

by

Good Energy, L.P.

## Competition and the Opt-Out Aggregation Law

The nature of the law is embedded and originated in the spirit of competition. Consultants are getting the market up and running.

## Value of the Competitive Process

1. Competition is helping electric Opt-Out aggregation fulfill its potential as a highly efficient tool for widely and expeditiously spreading cost saving benefits of electric deregulation to residential and small commercial retail customers. Ameren Service Territory: 6% penetration in 10 months without Opt-Out. Close to 30% in 11 months **with** Opt-Out.
2. Skillful application of competitive processes optimize cost savings and give legitimacy to the process of energy procurement.
3. Given Ameren's historical and forecasted purchasing, speed is absolutely vital as the best savings in Ameren will be realized over the next two years.
4. A well-run, competitive bid drives the lowest rate in given market conditions. Good Energy is putting the Central and Southern Illinois Aggregation, approximately 200,000 accounts, out to bid. This is the Olympics of bidding – the largest, most responsible and most suitable suppliers bidding for about 17% of the Ameren Service Territory. Savings for these communities combined over a two year term are projected to be in excess of \$50,000,000.

## What is Government Aggregation Actually Doing?

### **FAQs:**

1. Is government getting involved in another aspect of people's lives?
2. Is it good for the community as a whole?
3. What's wrong with Opt-In?

We have heard it all on the front-lines. Here's our perspective...

- Opt-Out is the encouragement of *responsible free enterprise* for the financial benefit of the community; government is the essential partner for due diligence in the process.
- Looking at migration statistics within the context of the extreme savings available today and their inevitable decline over time, there can be no more efficient and responsible a tool for spreading these benefits than with the *checks and balances* that a municipality's or county's respective administrations and legal teams bring to the process.
- If you are a member of the community with little understanding of the electric industry, hearing about the electric cost-savings opportunities out there and wanting to benefit, are you better served by:

Option A) Direct mail, cold calling, and in some cases door to door sales?

OR

Option B) The leaders of your municipality, working with an experienced consultant to identify the most responsible and financially beneficial way forward through the relatively new landscape of electricity cost savings, knowing you can Opt-Out if you so choose, all of this contingent upon an approved referendum?

Within a competitive market, Opt-Out Aggregation is quite simply an additional choice for the consumer.

## Opt-Out Versus Opt-In

There is nothing wrong with Opt-In, but Opt-Out is better for community electricity cost savings in IL because:

- Community Wide: With Opt-In, the *most successful* switch rates are 20-25% over a period of months; we looked at this in 2008. With Opt-Out, *normal* switching rates are 90-95% at one time.
- Bulk Purchase: The one-time bulk purchase opportunity provided by Opt-Out creates optimized pricing in given market conditions, enabling residential and small commercial retail users to access competitive pricing normally only available for the largest industrial users.
- Speed of Transition: The community as a whole stands to enjoy the best pricing in the most expeditious manner with Opt-Out, countering inertia and enabling the community to enjoy the most favorable pricing for the maximum amount of time for which cost savings are available.

It is the community that must approve the Opt-Out mechanism in the first place and, as mentioned earlier, ultimately Opt-Out aggregation is in itself simply an additional choice in the market.

The key to success is customer education! More on this later...

## The Consultant's Role in Government Aggregation

1. An efficiency maker in the market - In Illinois Government Aggregation, we, as a consultant, are creating cost savings opportunities for thousands of households that might otherwise not be benefitting; curtailing delays. Time and speed are of the essence.
2. The integrity and credibility of impartiality and objectivity.
3. Industry expertise - Broad and long-standing supplier relationships; knowledge of their respective strengths and weaknesses; favorable contract terms and conditions. Running a bid means including language and terms that will compel a supplier to respond. Good Energy has a large portfolio of business with the major national suppliers.
4. Knowledge of the markets. The perfect storm right now. IL has the law and the savings while the market is at a ten year low. Some of the best residential electric savings in the country.

## The Consultant's Role in Government Aggregation

5. Providing service and expertise for municipalities of all sizes working with us. Ranging from 45,000 households to 150 households; we don't cherry pick. Some of the smaller communities would be very hard-pressed given their government infrastructure.

6. Good Energy's experience in Illinois' Public Sector; Consultant to the Greater Peoria Aggregation of public buildings since 2008.

7. As a national consultant, we bring experience from other states. Ideas, methodologies and procedures travel. Lessons can be applied. Good Energy acts as an agent of competition, bringing electricity cost savings to clients in all markets. Also, national perspectives. AFL-CIO. NEA.

8. We speak everyone's language. We're using our experience and expertise earned around the country as we work very closely with municipalities, Ameren, and the suppliers, to move this forward.



## Good Energy's National Experience in Aggregation

### **Greater Peoria IL Aggregation (IL)**

Members: Peoria County, Tazewell County, Peoria, East Peoria, Pekin, Peoria airport.

### **Cincinnati USA Regional Chamber (OH) (Duke)**

Members: 6000 (Largest Chamber energy affinity program in US deregulated electricity markets).

### **Center for Local Government (OH) (Duke)**

Members: Nine local governments located within Cincinnati.

### **Middlesex Regional Educational Services Commission (NJ) ( PSEG, JCPL)**

Members: 500 Public Schools, 20 Towns, and a County (2nd largest Public Aggregation in NJ).

## Good Energy's Background in Mass Markets

### Union Plus

National Market Analysis for the AFL-CIO's member benefit arm.

## Building the Central and Southern Illinois Aggregation

- We identified the opportunity *early* on through national opportunity analysis for residential markets. Residential is the final frontier for large energy suppliers aggressively moving into this space, 39% national usage. We combined this market intelligence with our relationships from the Greater Peoria Area Aggregation.
- As agents of competition, we also have to compete to win client business. We have long-standing relationships with communities in Central Illinois, but had to re-win this business for Opt-Out, with a notably high-profile bidding contest for the City of Peoria. The aggregation consists of approx 200,000 households drawn from 54 municipalities and counties in the Ameren service territory. We also have been consulting for the City of Aurora and some other municipalities in ComEd.
- The new world of countless council meetings and politics. Herding the aggregation. Making sure everybody gets resolutions passed in time, registered with the County, scrubbing lists and more.
- Groundwork in the field: Building the aggregation one community at a time, starting with Eureka. Time in the saddle. No cherry picking just pitching and competing...then pitching some more. Stories from the road.

## The Referendum

- Customer education is imperative at all times. Our experience is that the majority of people will vote yes if they understand what Opt-Out is.

- Good Energy's campaign approach:

- Mailed 400,000 pieces to our clients across the state, some households will have received more than one piece. Billboards throughout central Illinois. Unique website, and infomercial.

- Local media - radio, television, newspapers.

- Worked closely with local governments to set up public hearings and attend influential community groups, Rotary Clubs, Chambers of Commerce, church associations and more.

- Probably the first time an energy consultant has undertaken a marketing project on this scale.

**The results:** 83% of households and 90% of Good Energy's communities approved, including two of the largest cities in Illinois. Next time: 100%!

## Managing the Bid and Community Impact

- We have 200,000 households in Ameren out to bid, 53 communities buying together. 72,000 households in ComEd.
- Started the bidding process months ago with pre-bid meetings in Peoria and Bloomington. Art and science of running the bid
- Above and beyond the advantages of bulk purchasing, the CSI group bid represents a major strategic acquisition opportunity for a market-hungry ARES.
- Community-wide savings over a two year term could be in excess of \$50 million. Money found in challenging economic times.
- Renewable energy opportunity. The largest stakeholders in the aggregation are interested in the opportunity to purchase 100% green power. While this comes at a slightly higher price, this is partly driven by the current low market, resulting from a perfect storm of excessive domestic natural gas supply/shale gas, and a historically mild winter driving down wholesale electric prices.

## Next Steps: November 6<sup>th</sup> 2012

- There is already enormous interest in Round 2. It is quite conceivable that up to, if not more than, 50% of the Ameren service territory will be in the process of being enrolled with an alternative retail electric supplier by December 31, 2012, 80% of this migration driven by the Opt-Out program and facilitated by a consultant.