IPA Procurement Strategy

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- The impact of municipal aggregation
- Energy procurement methods under price uncertainty
- The cost of minimizing risk
- The future of energy procurement

The impact of municipal aggregation

- Municipal aggregation is a path for customers to choose a supplier with guidance from their municipality on the price.
- The success of municipal aggregation results in large numbers of customers moving in a single month which does impact any IPA procurements of fixed load contracts.
- It is rare for a municipal aggregation to return to utility service but the possibility is there which could result in the need for intra-year procurements.

Energy procurement methods under price uncertainty

- Price uncertainty only exists for customers who choose not to lock in prices with a supplier.
  - There are many offers available from competitive suppliers today which provide price certainty for customers.
- The costs for the IPA to step in could be high. The better approach would be to have the IPA coordinate a market approach.
  - Spot purchases rather than fixed contracts, working to move customers to hourly pricing as the technology becomes available
  - Shorter term contracts to fulfill the needs of only those customers on bundled hold for 12 months.
- This approach eliminates a default price structure based on educated “guess” of where the market will go leading to over/under procurements for load.

The cost of minimizing risk

- Ultimately the cost of risk is eliminated by declaring all customers competitive.
  - However until smart technology is widely available placing customers on hourly pricing is not an easy option.
- The risk in today's market is that the likelihood is there will be over-supply. The best way to manage this is to design default service where spot purchases fulfill returning load for customers not on bundled hold rather than purchase unnecessary power.
- Spot purchase prices can be less stable however reality is overpurchasing for customers who are likely to switch within 2 months will leave oversupply costs that create additional costs.
- Longer purchases for a stable price should continue to be the model for 12 month bundled hold customers where the load is relatively known (assuming they don't move residences).
  - This is the surest way to ensure the purchased electricity adjustment isn't out of line with market and actual load served.

The future of energy procurement

- Renewable Portfolio Standard:
  - Allow the IPA to become the procurement agency for 50% of the RPS load rather than require 50% ACP payments.
  - Keeps 50% of load within the competitive advantage of suppliers
  - Allows IPA to grow renewables market through continuing procurements.
- Use spot purchases for returning customers to avoid over procurement costs.
  - Because returning customers must remain for 12 months after a 2 month window procuring once their window closes allows for an accurate purchase on the spot market.
- Ultimately design the infrastructure to allow for hourly pricing for all customers which eliminates the procurement over/under supply problems.
  - This also eliminates the need for customers to remain on utility supply for 12 months when they return.