

**Sustainable Jersey How-To Guide:  
Renewable Government Energy Aggregation**



**Sustainable Jersey**  
Sustainability Institute at The College of New Jersey  
Forcina Hall, 3<sup>rd</sup> Floor  
2000 Pennington Rd.  
Ewing, NJ 08628-0718

## **Sustainable Jersey How-To Guide: Renewable Government Energy Aggregation**

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## What is R-GEA?

In New Jersey, a Government Energy Aggregation (GEA) program is defined by the enabling statute, and the rules promulgated by the Board of Public Utilities. The “R” in R-GEA refers to the fact that enhanced renewable content will be part of the electricity product procured by the municipality on behalf of the aggregation entity members. Municipalities are able to procure an electric supply which is more sustainable, often less expensive, with better and more secure terms than can typically be achieved by individual residents.

In a GEA program without enhanced renewable content, the product is required to be priced at or below the basic generation supply offered by the Utility. However, the statute specifically makes an exception for projects containing enhanced renewable content, the price is allowed to exceed the basic generation supply offered by the utility.

The simplest way to describe an R-GEA is that it is a third party electrical contract negotiated by a municipality on behalf of its residents. By statute, membership is structured as an “opt out” program for residential customers and as an “opt in” program for commercial customers.

For residential customers, unless the customer elects to “opt out” of the program, or is already with a third party supplier, the residential customer is automatically enrolled in the GEA program. A residential customer is able to “opt out” of the program at any time during the term of the contract without penalty.

For commercial customers, when an R-GEA project is open to commercial entities, commercial clients must voluntarily elect to participate and they are also afforded the protection of being able to opt out of the program at any time during the term of the contract without penalty. However, the municipality may decide to structure the R-GEA project to include only residential customers to simplify the project.

Typically due to risk factors in the energy markets, contracts run no longer than 24 months. In addition, several municipalities can join together to create a joint aggregation entity.

## Authority & Rules for Government Energy Aggregation

<b>Primary Governing Statutes</b>	N.J.S.A. 48:3-92 – N.J.S.A. 48:3-95
<b>GEA Program Rules</b>	N.J.A.C. 14:4-6
<b>Local Public Contracts Law</b>	N.J.S.A. 40A:11-1
<b>Rules of the Department of Community Affairs</b>	N.J.A.C.5:34-7; N.J.A.C.14:4-6.4(b)

## Background Information about the Electrical Market

### Understanding your Electric Bill

In NJ, all customers have the choice of purchasing their natural gas and/or electric supply from a third party supplier rather than their local utility company. This is a direct result of deregulation of the energy market in NJ, authorized by the Electric Deregulation and Energy Competition Act (“EDECA”) enacted in 1999. EDECA authorized the NJ Board of Public Utilities (BPU) to permit competition in the electric and gas supply marketplace.

A typical utility bill for a ratepayer in New Jersey has two components, supply and distribution:

**Supply** The supply portion of a utility bill represents the energy supply, with the corresponding dollar amount often referred to as the commodity cost of whatever fuel source is utilized. This could be natural gas, coal, nuclear, wind, solar, fuel cells, etc. The supply portion of the utility bill also captures the cost of moving the energy from the generation station to the local distribution network, commonly known as the local utility. The supply component is the portion of the bill that is subject to competition, and for which the customer may shop for alternative sources.

**Delivery** Delivery refers to the distribution of the energy to homes and businesses. The associated dollar amount represents the cost of the distribution highway that “pipe” the energy to NJ’s homes and businesses. Also included in the delivery portion of the bill are the State’s mandated programs such as energy efficiency programs and LIHEAP: the Low Income Home Energy Assistance Program. This portion of the utility bill is not subject to competition, and therefore, there are no shopping opportunities.

It is important to understand the difference between the supply and delivery portions of the utility bill, because R-GEA only impacts the supply portion. Storm response, line maintenance, and eligibility for State Programs are all aspects of the delivery portion of the contract and cannot be affected by participating in an R-GEA.

### Where does my electricity come from? And what is PJM?

When you plug in your cell phone to charge, just where does that electricity come from? A coal plant in Kentucky? A gas fired turbine in Illinois? A nuclear plant in New Jersey? A coal plant in West Virginia? A wind turbine in Pennsylvania? The answer is all of those plants in those locations, and many more. The electricity delivered into your home at any given moment is a soup of electrons that originate from various sources located throughout our Regional Transmission Area (RTA). That electricity market is coordinated by a Regional Transmission Organization (RTO). In New Jersey, we are part of the RTO called PJM that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia. The actual delivery of those electrons that originate in many places, by many different technologies is the responsibility of your electric utility.

Many of the participating states in PJM, including New Jersey, have Renewable Portfolio Standards (RPS) requiring them to source percentages of their electric supply from renewable resources. Over

time, the effect of RPS mandates is to change the “electric soup”, which today is a mix of dirty and clean energy sources, to predominately clean energy sources.

### **How New Jersey purchases electricity for its residential customers – the BGS**

If a customer does not shop for electricity supply, they receive the default supply which is referred to as basic generation supply or BGS. A customer can identify BGS on their utility bill under electric supply as explained previously. New Jersey has mandated, through a NJ Board of Public Utilities Board Order, how the electricity should be procured.

Every February, the NJ Board of Public Utilities holds the BGS auction where electric supply companies compete to win the right to supply one third of the forecasted load. This results in the price for residential customers being comprised of 1/3 of the load with the winning bid price from the prior energy year (EY), 1/3 of the load with the winning bid price from the current energy year, and 1/3 of the load with the winning bid price for the coming EY. The reason for this structure is to help smooth over price volatility in the energy markets for New Jersey ratepayers.

### **The emergence of Third Party Suppliers (TPS) as an option to individual residents**

A third party supplier (TPS) is an alternative provider for the supply portion of an electrical contract. Contracts with a third party supplier can be negotiated by individuals or by government entities (GEA.) Sometimes the “spot” market for electricity is lower than the BGS blended price, and third party suppliers will be able to offer lower priced alternatives to the BGS supply price. If this is not the case, there is likely not to be an active TPS market, assuming that customers are making their buying decisions based on price alone.

Over the last several years in New Jersey, an active market for TPSs has emerged, driven by the high cost of natural gas several years ago, reflected in the BGS blended price. A TPS will typically solicit residential customers through direct mail, commercial advertisements on radios and billboards, and frequently offer incentives for signing up with the TPS (frequent flyer mileage, gift certificates). The majority of TPSs offer lower prices than the incumbent energy supply prices provided by the utilities. There are also TPSs that sell based on the renewable energy content of their product. TPSs provide either fixed rate, a variable rate pricing, or both and terms vary. In some instances there may be penalties for canceling a contract before the term expires.

This market for individual contracts has emerged as a “buyer beware” marketplace where consumers should familiarize themselves with the rate and term details so as not to be surprised after executing contracts that may carry penalties for early termination, or that switch from fixed to variable rates during the term of the contract. Given the extreme cold of Winter 2013-2014, many NJ customers were unaware that their TPS contracts were on variable rates, and experienced “sticker shock” upon opening their bills due the high price of natural gas.

### **GEA provides protection against issues that concern individual contracts in the Third Party Market.**

GEA takes advantage of the upside of TPS, increased renewables, while protecting residents from poorly constructed third party contracts. In GEAs, third party supply contracts undergo a competitive bidding process, which is reviewed by the municipal attorney and the Board of Public Utilities. Additionally, due to the larger pool of residents bundled together in a GEA contract, third party suppliers offer better pricing than an individual could secure.

## What is a REC?

Renewable Energy Certificates or RECs are the method that is currently used to procure an increased renewable content for an R-GEA. RECs are an abstraction – they represent the renewable attribute, the green label, of renewable energy production. In New Jersey, RECs are legally defined under the Renewable Portfolio Standard or RPS. One REC is equivalent to 1,000 kilowatt-hours (kWh) of qualifying renewable generation.

It is important to understand that when renewable energy is generated at a physical generation facility at a specific location, two products are created: physical electricity and one REC for every 1000 kWh of physical electricity. These two products can stay joined, “bundled,” or can be bought and sold separately from each other, “unbundled.” How effective unbundled RECs are in encouraging renewable electricity depends in part on their price relative to that of the electricity actually purchased, which typically comes from low cost fossil fuel generation.

In addition to distinctions between how RECs originate there are two markets for RECs: compliance RECs used to meet state RPS requirements and voluntary RECs that are sold to companies, individuals, and others who want to claim the right to call their electricity renewable. These RECs, especially in the case of solar, have often been sold at price that plays an important role in supporting renewable energy construction.

Further, in New Jersey, there are several classes of RECs for different types of renewable energy resources as follows:

**Class I renewable energy** is defined as electricity derived from solar energy, wind energy, wave or tidal action, geothermal energy, landfill gas, anaerobic digestion, fuel cells using renewable fuels, hydroelectric facilities of 3 MW or less that are: placed in service after July 23, 2012; located in the state; connected to the distribution system; certified as low-impact by a nationally recognized organization based on a system that includes a variety of minimum criteria, and, with written permission of the New Jersey Department of Environmental Protection (DEP), certain other forms of sustainable biomass.

**Class 1/Solar Carve Out** is defined as electricity derived from solar energy, located in the state and connected to the distribution system. Solar remains an eligible Class 1 technology, however with a carve-out, it occupies a special place as the only resource eligible for the solar electric component of the standard. RECs that are generated using solar power are called SRECs.

**Class II renewable energy** is defined as electricity generated by hydropower facilities larger than 3 megawatts (MW) and less than 30 MW, and resource-recovery facilities (i.e., municipal solid waste or MSW) located in New Jersey approved by the DEP. Electricity generated by a resource-recovery facility outside of NJ qualifies as "Class II" renewable energy if the facility is located in a state with retail electric competition and the facility is approved by the DEP.

The Renewable Portfolio Standard is compiled from a blend of these types of RECs in percentages that change each year as we make progress increasing the renewable supply. In May 2018, the RPS requirement for Class 1 RECs was set to increase to 35% by 2025 and 50% by 2030. Additionally, 2.5% of the electricity each year must come from qualified Class II renewable energy sources. See Resources section for links to more information about the current New Jersey RPS.

## All RECs are not created equal

To a large extent, the first step for a municipality in considering whether to pursue the R-GEA action is the easiest step. The municipality need only answer the question: Do we want enhanced renewable content in the electricity product we offer under our R-GEA program?

If the answer to the first question is yes, answering the second question – what does that enhanced renewable content look like – is much more complex as it leads to many more questions. What type of renewable generation do we want: wind, landfill gas, solar, small hydro, fuel cell? What type of generation do we NOT want? Where should that renewable generation be located? How is that renewable generation certified? Does the premium paid for the REC contribute to the build out of additional renewable generation, moving the market forward?

The gold standard that Sustainable Jersey works towards is locally sited renewable generation that directly benefits the communities, including residents, close to the location of the renewable energy generation facility. For many reasons that go beyond the scope of this background, the New Jersey market is not yet able to deliver this product.

Location matters. The more local, everything else being equal, the more benefits accrue to the communities purchasing the product (local = economic development, efficient distribution since “plant” is closer to where energy is actually used, less reliance on transmission infrastructure). This is the logic that informs the way Sustainable Jersey Actions and related points for R-GEA are structured. Where renewable generation is located and to a lesser extent how much renewable generation is in the product are the variables that matter.

The highest number of points (45 points) is reserved for R-GEA programs with renewable energy content that is at least 20% above the current RPS, with all the renewable supply coming from Class 1 resources located within PJM.

The second tier of points (35 points) requires that any R-GEA program with renewable energy content that is at least 10% above the current RPS, with all the renewable supply coming from Class 1 resources located within PJM.

PJM is a very large region, and one may reasonably ask: What good does a wind turbine sited in West Virginia do for my community?

There are several important considerations regarding the benefits of PJM sited renewable content. First, the PJM location is the standard upon which the State of New Jersey relies for meeting its RPS obligation. Although solar is an exception, with a carve out that exists in the Class 1 category,<sup>1</sup> with respect to PJM Class 1 and Class 2 resources, those RECs may be tied to resources located anywhere within the PJM footprint.

Second, New Jersey has determined that what happens in the PJM region has impacts on the air quality in New Jersey. In fact, due to the wind currents, certain pollutants emanating from power plants cited

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<sup>1</sup> In order to be eligible for compliance, a SREC must be tied to a solar resource sited and connected to the distribution system in New Jersey.

in the southwest and mid-west, such as sulfur dioxide and particulate matter, travel to the Northeast and Mid-Atlantic region, and are in part to blame for air pollution and air quality issues in New Jersey. In response to this finding, in 2005, the USEPA promulgated the Clean Air Interstate Rule (CAIR) in an effort to address the transportation of pollution across state lines. Transitioning to cleaner power in the PJM region will have demonstrable effects on New Jersey's air quality, which is part of the rationale for NJ's RPS allowing renewable generation to be sited in the PJM region.

### **Green-e Certified RECs**

There is another type of REC that is available for purchase, Green-e Certified RECs. Green-e certified RECs, which may be located anywhere in the country are often referred to as "National Any Technology" RECs and are not of the same quality as in-state or PJM RECs. The middle to long-term price signal for RECs emanating from certain jurisdictions, for instance, Texas, is quite low. This is due to an oversupply of wind in Texas and other states relative to the amount required by their State Renewable Portfolio Standards. As a result, a town can get RECs from these wind generation facilities at a very low cost, often with next to no net benefit above the transaction costs of selling the RECs. It would also be correct to assume that the premium paid for the REC at this level does not result in any additional wind or renewable generation. Note that states like Texas, which has been oversupplied with renewable energy (mostly from wind) for several years, have not chosen not to address this through a government-mandated demand for additional renewable energy. Based on consideration of these factors, Sustainable Jersey has determined at this time, while there is potential value Green-e Certified RECs, there are no Sustainable Jersey points available for R-GEAs in which the renewable content is made up solely of Green-e certified RECs.

### **Solar RECs (SRECs)**

One persistent criticism of REC purchase as a way to support renewable energy has been that the REC premium, and where that premium ultimately flows, does not contribute in a meaningful way to the build out of renewable generation. However, an example of RECs increasing the build out of renewable generation is Solar RECs (SRECs). In NJ, SRECs are frequently included as an integral part of financing a NJ solar project, and therefore the purchase of NJ SRECs does in fact help stimulate solar energy project development. Other scenarios, for example the purchase of wind RECs in a distant market where the project has already been financed and achieved break-even, may have less direct impact in stimulating new capacity development. Even in that case, however, increased purchase of RECs, in markets where supply will eventually chase demand, REC purchases (through R-GEA programs) may help to improve the market for renewable energy development. Regardless, the market reality is that RECs are a primary mechanism for project development in the US, and their use represents the most accessible way for individual consumers to help stimulate renewable energy development.

In the end, communities must make informed decisions about the quality of the product they choose to purchase in an R-GEA program, recognizing the tradeoffs that exist between cost, quality, the particular culture of a community, and the collective level of engagement of its citizens.

It is important to recognize the limitations of a REC system, and its promise in a state like New Jersey. The direct effects and any secondary and tertiary effects of this system are complex and difficult to predict. On the positive side, a RPS using RECs for compliance that consistently meets or surpasses its goals in a market that sees a declining cost structure is on good footing, politically, to increase their demand for renewable energy. Ultimately, that is the desired outcome of RPS policy – more renewable energy.

This has been the story in New Jersey. The fact that New Jersey has met its solar RPS at lower costs over time is a large part of the reason that New Jersey's solar RPS has been increased twice over the last decade. Solar Installation has been at a pace that is ten times what was called for in the initial establishment of SRECs.

Sustainable Jersey has critically considered many perspectives in crafting the R-GEA Actions and how each will be recognized. It is expected the communities will wrestle with similar perspectives as well. The decision should be made by the community – not by hired consultants, and should reflect the will of the community. This is an important dialogue to have and will provide a unique opportunity to educate the township on critical issues that contribute mightily to climate change.

## **The Case for R-GEA**

### **Why it matters & ancillary benefits**

#### **Increasing the Demand for Renewables**

The primary reason why R-GEA matters is that it enables municipalities to influence the market for renewable energy. Municipalities going into the energy market for R-GEA products can potentially influence the source of electricity supply. Simply put, R-GEA communicates to the market that there is a preference for renewable energy.

#### **Better Pricing and Consumer Protection**

Two ancillary benefits emerge from R-GEA programs. First, the municipality enables the scale, through creation of the aggregation entity that will deliver lower prices than would be realized if a customer was buying in the market place as an individual consumer.

Second, the R-GEA program provides a layer of consumer protection that would otherwise not exist if the constituent was making the buying decisions on his/her own. This is especially relevant given the severe climate conditions (like “polar vortex” events) that are likely to be our new reality. These extreme weather events result in price spikes in natural gas, dramatically driving up the cost of electricity and providing sticker shock to consumers, unaware of the details of their TPS contracts.

Although the municipal R-GEA can ask for variable or fixed pricing, pricing in R-GEA contracts will typically be fixed rates for the entire term of the contract, as municipal leadership has an interest in protecting constituents from the fluctuations in the spot markets due to any number of unpredictable events.

### **Experience in other states**

**New York:** Since 2015, a community choice aggregation (CCA) Co-op called Sustainable Westchester has provided 16 towns with Green-E Certified RECs. The towns maximized their purchasing power by creating a purchasing co-op and securing joint third party supply contracts for the participating municipalities.

The following examples are taken from World Wildlife Federation's 2014 report, *Leading from the Middle* (see resources section for URL).

**Cape Light Compact, Massachusetts:** Since 1997, this Compact services over 20 towns through a combination of its own energy efficiency programs and direct investments in local solar projects.

**Cleveland, Ohio and Cincinnati, Ohio:** In 2012, Cincinnati was the first major city to contract for 100% of its resident's electricity through RECs, and they did so with over 20% cost savings.

**Illinois:** Since 2013, a CCA with more than 90 Illinois towns representing 1.7 million people, taking advantage of favorable wind opportunities in Illinois and Iowa, have contracted for 100% of residents' electricity using Renewable Energy Credits or RECs.

**Marin County, California:** This CCA program invests heavily in new, locally built, renewable energy resources. The county's long term Power Purchasing Agreements have spurred the development of nearly 60 MW of new solar, wind and landfill gas.

**Sonoma County, California:** Sonoma County recently approved its own CCA program that focuses heavily on locally generated renewable energy. California's experience shows that longer-term contracts, typically ten years or more, provide the certainty electricity suppliers need to invest in more local renewable options.

CCAs are also supported by law in Ohio, Virginia, Rhode Island. Utah, Colorado and Minnesota are all exploring legislation to enable CCAs.

## Selecting an Energy Consultant

Engagement of an energy consultant is the first step toward R-GEA implementation. It is not mandatory to go through the RFP process to hire an energy consultant, but it is highly recommended. A template RFP for the energy consultant selection is available in Appendix B.

The energy consultant has two key jobs in R-GEA projects: guiding the municipality through the process of completing a third party supply contract; and managing the outreach and logistics of the project once the contract is complete. When evaluating proposals for the energy consultant during the RFP process, it is important to consider how the proposals received address the both of these areas. A sample rubric for evaluating consultant proposals is in the appendix. How heavily each category is weighted will vary depending on the priorities of the entity establishing the R-GEA.

Roles that are commonly held by the energy consultant include:

- Expertise in advising the municipality about energy markets (i.e. timing the issuance of the bid for the third party supplier)
- Assisting in passing the required ordinances to create an aggregation entity (this may happen before an energy consultant is hired)
- Interfacing with the local utility, including facilitation of the necessary agreement between the municipality and the utility and collecting all utility usage information
- Designing and creating required bid documents for prospective energy suppliers, including procurement specifications and forms of contract between the municipality and the selected supplier, and reviewing drafts of these documents with BPU and Rate Counsel

- Expertise in advising about renewable energy markets and designing a renewable energy product that addresses the municipality's cost savings and sustainability goals
- Running an RFP process to solicit energy supply contract bids, evaluating bids
- Analyzing and making recommendations, and awarding of energy supply contract bids
- Conducting outreach to residents and businesses
- Providing customer support for the term of the contract (i.e. answering questions, attending community meetings as needed)
- Managing subsequent opt-ins and opt-outs
- Resolving billing issues for residents

It is advisable to offer potential energy consultants the option of scheduling a pre-bid meeting. The pre-bid meeting can be especially critical when considering a multi-municipality aggregation. Be prepared for energy consultants to advise you about the viability of the municipality pairings. Municipalities will benefit from being paired with other municipalities that have similar population density and energy usage patterns. Some towns that seem similar may not be well matched. Energy consultants will be able to advise on appropriate pairings.

How is the energy consultant paid? Almost always, the energy consultant works "on spec" until the TPS contract is signed. The price put forward by the energy consultant as part of the bidding process is a price that will be added to the per kWh price offered by the TPS. The TPS will pay the energy consultant directly with funds collected from the customers. So, though the municipality does not pay the energy consultant directly, the energy consultant's fee is reflected in the customer's bill.

Issuing the RFP: Appendix B includes a link to the current list of energy consultants compiled by the Board of Public Utilities. In addition to the regular notifications that accompany RFPs, it is a good idea to send a notification of the RFP to all the energy consultants on the list who work in the customer class (i.e. residential, commercial, Industrial) that your projects will include.

## The R-GEA Implementation Process

The following steps must occur in order for the successful implementation of an R-GEA, where "successful implementation," means a master contract that is active in the market enabled under the GEA mechanism as defined by the enabling legislation: N.J.S.A. 48:3-92 – N.J.S.A. 48:3-95. In brief, a contract will stipulate that the municipal group has a contract for electrical supply for a fixed length of time at a rate that is determined by the contract.

The following abbreviations are used to indicate the entity that has primary responsibility for each task below:

ML:	Municipal Leadership
ME:	Municipal Employee
EC:	Energy Consultant
WS:	Winning Supplier
R:	Resident

Typical roles for each entity in the R-GEA process:

Enactment of Ordinance creating the R-GEA entity	ML
RFP for Energy Consultant	ME (with support from ML)
Outreach to constituents	EC (with support from L/ME)
Interfacing with local utility & review of EDC agreement	EC
Interface with Department of Consumer Affairs	EC
Collecting all utility usage information	EC
Design and creation of bid documents	EC
Review of all required documents with BPU/Ratepayer	EC
Running the RFP process to solicit bids	EC
Evaluation, analysis and recommendation for award	EC
Award of contract	EC (with authority from ML/ME)
Opt-Out	R (with support of EC)
Customer service/billing issues/follow up questions	EC

## The Customer's Point of View

By NJ Statute, all residents of participating municipalities are enrolled unless they already have an agreement with a third party supplier of their own. At any time, with no fee, a resident can opt out and return to their previous supplier. For a household that has not enrolled with a TPS, the first sign of an R-GEA will typically be an announcement for a public meeting that provides information on the program. Methods of outreach will vary from town to town. This may be handled by a mailer, information on the website, information in a local newspaper, or some combination outreach elements. Municipalities will typically provide information about the program on their municipal website in the form of announcements of public meetings, videos of public meetings, FAQs that answer questions on the program and links to other materials.

There may also be a public presentation on R-GEA at a town council meeting open to the public. To form an R-GEA the township must enact an ordinance, which requires two readings. When that happens, there may be information offered about the program and opportunities to have questions asked and answered.

A household's utility usage information will be collected directly from the utility in order to prepare the bid documents. However, this exercise is invisible to the constituent, as this information is provided by the utility to the energy consultant directly.

Once the bid documents have been reviewed by the BPU and Rate Counsel, the request for energy supply bids is made to the supplier market. After analysis of bid results and recommendations made by the energy consultant, an energy supplier is selected. Typically, after the award, there will be a press release announcing the results of the bid, and any notable features of the contract (term, content, expected savings).

Before the contract may take effect, there is a mandatory 30 day opt-out period. Consistent with BPU rules, a mailer must be sent out to every eligible household, notifying residents of the program, the terms of the awarded contract, the and instructions for opting out should they chose to do so. After the 30-day period has ended, a household may still opt out at any time, without penalty. Apart from a

new default supplier on their bills, residents will not experience any difference. The grid and electrical infrastructure will still be entirely managed by the utility company, who will remain fully responsible for meter reading, billing, and repairing outages.

If a resident decides to take advantage of the R-GEA program, they simply do nothing and will automatically be put on the winning contract after the 30 day period ends. The participant will also receive a letter from their utility, alerting them to the switch of suppliers.

If a household wants to take advantage of the R-GEA program but is already with a TPS, they will need to either 1) terminate the contract before the TPS contract begins or 2) enroll in the R-GEA after their TPS contract expires, assuming there are provisions in the suppliers contract to allow “opt ins” at any point during the contract term.

The R-GEA contract will typically run from 12-24 months. As the term of the R-GEA contract comes to an end, the municipality may elect to continue to offer the R-GEA, and will need to undertake the process from the beginning. The ideal timing has the new contract going into effect right after the prior contract term lapses, for a seamless transition. It is quite possible that the winning supplier may be different than was awarded in the prior R-GEA. It will depend on the results of the current energy supply bid process.

Many residents will be concerned about how power outages and maintenance will be handled. Because the R-GEA only impacts the supply portion of the electric procurement, distribution (which includes billing, line maintenance repairs and meter reading) will still be done by the utility.

### **Responding to common questions from the public before an energy consultant is hired**

Once your municipality establishes a contract with an energy consultant, the energy consultant will largely handle responding to questions from the public. In the lead up to the selection of the energy consultant, the project team will likely need to address some questions from residents. Here are answers to the questions that are most commonly asked:

- **How much will it cost to hire the energy consultant? Will we still have to pay the energy consultant if we do not go through with the renewable aggregation?** Usually, the energy consultants are paid out of the contract with the third party supplier, which means they don't get paid until a third party supplier contract is finalized. If no contract materializes, no money is paid to the energy consultant.
- **What happens if the prices that are offered at the end of the bidding period aren't better than what we have now?** The municipality is under no obligation to make a contract with a third party supplier and the end of the bidding window.
- **What happens during storms and other power outages?** The existing utility retains the distribution function and responsibility regardless of whether customers receive power supply from the utility or a third-party supplier, which means the lines will be serviced and maintained by the same company as currently maintains the lines.
- **What if I would rather stay with the current provider?** The R-GEA will provide an opt-out program for residential customers, as required by NJ Statute. At the beginning of the project, all residents will receive an opt-out notification; a customer can opt-out of the program and return to the utility or

another supplier at any time at no cost. That said, the municipality will likely not accept a bid from a third party supplier unless it is advantageous by price, increased renewable content, or both; so, it is likely that most residents will choose to stay in the program.

- **What makes a renewable aggregation program green?** In NJ, a percentage of the electrical supply is required to be from renewable sources, this percentage goes up each year. In a renewable aggregation, the municipality can negotiate to purchase renewables at a percentage even higher than is required for the default supply. This increases demand for renewable energy and promotes the development of more renewable energy generation, which lessens our dependence on fossil fuels.
- **What do I have to do to be in the aggregation program?** Because the program is set up so that all residents are initially included in the aggregation, unless they have already chosen a third party supplier, you simply do nothing and will automatically be put on the winning contract after the 30 day opt-out period ends. You will also receive a letter from the utility, alerting you to the switch of suppliers.
- **What if I already have a third party supplier?** If a household wants to take advantage of the R-GEA program but is already with a third party supplier, they will need to either 1) terminate the contract before the aggregation begins or 2) enroll in the renewable aggregation after their third party contract expires, assuming there are provisions in the suppliers contract to allow “opt-ins” at any point during the contract term. Households with an existing third-party supply contract are urged to review the contract terms before requesting to be switched over to the municipality’s R-GEA program to be sure that no ‘early-termination’ fees will be triggered.
- **Who will my bill come from?** Meter reading and billing are part of the distribution company’s function, which means they will still come from the utility. You will see on the utility bill that a new energy supplier is listed, but, other than that, the bill will look the same.
- **What happens at the end of the aggregation contract?** At the end of the contract, either the aggregation will roll over into a new aggregation contract, with a new 30 day opt-out window; or, if no new contract is established, the supply portion of the contract will revert to the utility.
- **I’m on the balanced billing plan, how will the aggregation impact my billing?** Aggregation should not change your ability to receive an equal payment (a.k.a. budget billing) plan. The utility will still provide an equal payment plan for the delivery charges on your bill. Your municipality can include a requirement in its program bid specifications that the R-GEA supplier also provide an equal payment plan for the power supply charges. In that case, the monthly budget amount for power supply will be set by the supplier by multiplying your recent 12-month electricity usage by the contract price, and then dividing by 12. This level monthly amount will appear on your utility bill, along with the balanced bill amount for the utility delivery charges. As the utility does, the supplier may periodically implement a ‘true-up’ adjustment to the monthly billing amount based upon your actual usage.
- **Will being in the aggregation impact my ability to participate in programs offered by the utility, like smart thermostat specials and clean energy programs?** Participation in an aggregation program has no impact on your ability to participate in utility programs such as smart thermostat and clean energy programs. No matter who supplies the electricity, the utility will still be your delivery company and will still render a bill. These programs are funded through utility delivery charges, and are available to all

eligible customers of the utility, whether they receive power supply from the utility under the basic generation service (BGS) tariff or whether they receive power supply from a third-party supplier.

## Helpful Hints

### **Use competitive procurement process to hire an energy consultant**

Although there is an exception in the Public Procurement Contracting Law (P.L. 1971 c. 198 (C.40A:11-36)) that allows a municipality to hire an energy consultant without going through a public procurement process, Sustainable Jersey recommends that the municipality go through the RFP process in order to select an energy consultant at a competitive cost and with the relevant expertise and experience in the New Jersey energy market. A link to a template RFP is available in Appendix B.

### **Politics of R-GEA**

It is crucial to note that the R-GEA action is not necessarily a good fit for every town. Forming an R-GEA, or even a GEA can be seen by the political leadership as a liability. If the program fails in its execution in any way, this will result in calls to the mayor and the town administrator. There is varying sensitivity on this point depending on the town and the political leadership.

Also important to note is that “being green,” may not be of interest for some political leadership. If municipal leadership is interested in a program like this, their main, or exclusive, motivation will be the opportunity to attain the greatest cost savings for participants. “being green” costs more, even if that means less of a savings. The bottom line is to do some homework to understand the politics of your municipal leadership before you decide to pursue an R-GEA action.

### **Patience in the process**

Given how heavily regulated the R-GEA process is, getting through all of the required steps will take time, perhaps as long as 6 months until a contract is operating in the market.

In some cases, that timeline may stretch longer due to volatile market conditions. Any number of disruptions around the world can cause spikes or volatility in what is a global energy market—instability in the Middle East, speculation on federal regulations, severe weather events, terrorist attacks, and other impossible-to-predict events effect electricity prices. Upon advice of your energy consultant, there may be reasons to delay going into the market for a contract. So be patient and trust your energy expert who is most familiar with the up-to-date market pricing and the forces that drive those prices. Ultimately, in order to be successful, the R-GEA program wants to deliver the desired product at the lowest possible cost.

### **Community organizing resources**

There are several environmental organizations that have volunteers in communities throughout New Jersey they can mobilize to assist in promotion and community organizing activities to support the R-GEA.

## Appendix A

### Rubric for Evaluating Energy Aggregation Consultant Proposals

Name of Proposer \_\_\_\_\_

**Compliance with RFP Submission Requirements:** Max Point value = \_\_\_\_\_

**Strength of Public Engagement Process** Max Point Value = \_\_\_\_\_

Written materials/meetings with public/presentations to governing bodies/providing municipality with website content and updates/ability to communicate multi-lingually

**Strength and Accessibility of Consultant's Team** Max Point Value = \_\_\_\_\_

Project Lead/team members/subcontractors

**Ability to Perform Basic Consultant Services** Max Point Value = \_\_\_\_\_

Providing a timeline for projected completion of tasks to lead agency template ordinance for ordinance approvals by respective governing bodies, presentations of all required documents to the NJ BPU, execution of local delivery company agreement, all phases of bidding and executing contracts with the third party supplier with advice and consent of lead agency, notifications to residents of the pending program.

**Experience Managing Energy Aggregation Programs** Max Point Value = \_\_\_\_\_

**Skill and resourcefulness in procuring renewable energy**

Past experience procuring renewable energy/familiarity with procurement strategies in renewable energy markets.

Max Point Value = \_\_\_\_\_

**Fees** Max Point Value = \_\_\_\_\_

**Total Points:** \_\_\_\_\_

## Appendix B

### Resources

#### Document Templates

**Certification letter form for SJ points**

[http://www.sustainablejersey.com/fileadmin/media/Actions\\_and\\_Certification/Actions/Energy/Template\\_Certification\\_Letter\\_for\\_RGEA\\_action.docx](http://www.sustainablejersey.com/fileadmin/media/Actions_and_Certification/Actions/Energy/Template_Certification_Letter_for_RGEA_action.docx)

**Model ordinance to create an R-GEA**

[http://www.sustainablejersey.com/fileadmin/media/Actions\\_and\\_Certification/Actions/Energy/Template\\_RGEA\\_Ordinance.docx](http://www.sustainablejersey.com/fileadmin/media/Actions_and_Certification/Actions/Energy/Template_RGEA_Ordinance.docx)

**Template RFP for hiring energy consultant**

[http://www.sustainablejersey.com/fileadmin/media/Actions\\_and\\_Certification/Actions/Energy/Template\\_RFP\\_for\\_RGEA\\_Consultant.docx](http://www.sustainablejersey.com/fileadmin/media/Actions_and_Certification/Actions/Energy/Template_RFP_for_RGEA_Consultant.docx)

#### Background Resources

**NJ Board of Public Utilities. List of registered energy consultants**

[http://www.state.nj.us/bpu/pdf/energy/shopping\\_forms/energyagents.pdf](http://www.state.nj.us/bpu/pdf/energy/shopping_forms/energyagents.pdf)

**NJ Board Of Public Utilities. GEA implementation rules**

[http://www.state.nj.us/bpu/pdf/energy/NJ\\_Gov\\_Energy\\_Aggregation\\_Summary.pdf](http://www.state.nj.us/bpu/pdf/energy/NJ_Gov_Energy_Aggregation_Summary.pdf)

**New Jersey Renewable Portfolio Standard**

<https://www.energy.gov/savings/renewables-portfolio-standard-0>

**New Jersey legislation authorizing GEA**

[http://www.sustainablejersey.com/fileadmin/media/Actions\\_and\\_Certification/Actions/Energy/NJ\\_legislation\\_authorizing\\_GEA\\_Law.pdf](http://www.sustainablejersey.com/fileadmin/media/Actions_and_Certification/Actions/Energy/NJ_legislation_authorizing_GEA_Law.pdf)

**Sustainable Jersey 2014. The Opportunity for Government Energy Aggregation to Improve Adoption of Renewable Energy in New Jersey.**

[http://sustainablejersey.com/fileadmin/media/Actions\\_and\\_Certification/Actions/Energy/GEA\\_Study\\_Report\\_Final\\_041014.pdf](http://sustainablejersey.com/fileadmin/media/Actions_and_Certification/Actions/Energy/GEA_Study_Report_Final_041014.pdf)

**World Wildlife Study on GEA (called Community Choice Aggregation)**

[http://www.sustainablejersey.com/fileadmin/media/Actions\\_and\\_Certification/Actions/Energy/World\\_Wildlife\\_Leading\\_from\\_the\\_Middle.pdf](http://www.sustainablejersey.com/fileadmin/media/Actions_and_Certification/Actions/Energy/World_Wildlife_Leading_from_the_Middle.pdf)