



Fixed Price Commodity Contracts and Other Categories of Energy Related Value-Added Services

Great Eastern Energy
March 28 PSC Technical Conference
Albany, NY



OUTLINE

Fixed Price Commodity Products

- Value to customer
- Risk to ESCO
- Benchmarking Issues
- Role of Green

OUTLINE (cont'd)

Energy Related Value-Added Services (ERVAS)

- Annual Service Plans
- Web Based Energy Software and/or Hardware
- Financing of Energy Efficiency Equipment and Improvements to Buildings

Efficiency Standards

- Where they make sense and don't

Final Thoughts

Fixed Price Commodity Products*

Value to Customer

- Over 95% of GEE gas and 75% of electric customers opt for fixed price vs. variable
 - Customers value price certainty and budget control
- This option is not offered by utilities
 - Does not fit NY existing utility commodity cost pass through model and risk profile
- May Not be Appropriate for Low Income Customers without Restrictions
 - Primary source of value derived from social programs

*Would include commodity plus fixed adder

Fixed Price Commodity Products (cont'd)

What ESCOs Must Do to Provide a Fixed Price

- Obtain customer load profile
 - Normalize data
- Have ability to hedge
 - Enter into a credit agreement with counterparty
 - Maintain risk management policies
- Put on hedge
 - Hedges are never 100 % effective
- Buy in physical market

Fixed Price Commodity Products (cont'd)

ESCOs Assume the Following Risks which Require a Risk Premium

- Being over or under hedged based on weather, changes in usage patterns and other hedge effectiveness factors
- Over or under collecting fixed costs
- Regulatory changes can impact assumed fixed costs
- Utility cash outs

Due to these Risks Most ESCOs Lost Money on Fixed Products During Polar Vortex Winter

Benchmarking Issues

- Ideally customers who shop or who trust their ESCO should be assured they will be getting a fair price
- It's not practical to compare a price set today to a future set of variable rates that reflect changed market conditions; **especially utility monthly rates**

Benchmarking Issues (cont'd)

This is because utility commodity costs are distorted by prior period adjustments, hidden profits on services provided to ESCOs and other factors – lack of transparency

- Case No 15-G -0101 highlighted this for gas but is mostly true for electric as well
- PSC itself has even smoothed out utility commodity spikes

And for gas retail choice programs there are inherent inequities in how mandatory capacity release is administered

- Not all assets are released to ESCOs – especially storage
- Unlike electric programs governed by NYISO, utilities do not play by same rules as ESCOs when it comes to gas
 - For example they do not nominate requirements for gas sales customers and are not subject to imbalance charges

Benchmarking Issues (cont'd)

Despite this, broad reasonable price restrictions may be considered. However, they must reflect the following:

- The price would have to be reviewed in the context of market conditions **when the price was set** – not after the fact
 - Similar to LDC prudence reviews
- While not our preferred method, any comparison to utility prices would only be valid after distortions to their commodity cost recovery mechanisms are removed, and gas retail choice programs are reformed to remove discriminatory practices

Standards need to be established for utility services to ESCOs, similar to those currently in place for utility customer satisfaction

- Response to inquiries, missed enrollments, back bills etc.

Role of Green

This needs a separate discussion: GEE is only bookmarking it. An in depth conversation outside of this presentation is needed

- Volunteers?



Our Two Cents: There should be a range of products including affordable options

Energy Related Value-Added Services (ERVAS)

Annual Service Plans

- Peace of mind applicable to all HVAC equipment
- Natural outgrowth of oil and propane businesses
 - Included in commodity price
- “Hands on” people service
 - Service breakdowns, thermostats, tune- ups to insure optimal performance (efficiency)
 - Remove violations

Energy Related Value-Added Services (ERVAS) (cont'd)

Web-Based Energy Software and/or Hardware

- Energy tracking software will allow customers to monitor consumption over time and control their utility budget
 - Customers will customize to their own needs
 - Change customer behavior and promote conservation (Fitbit analogy)
- When hooked up to AMR meter will allow observance in real time as well as identify daily usage patterns
- More sophisticated sensors and monitors will enable customers to be in charge of individual appliances (e.g. air conditioning units)
- Tremendous opportunity for innovation as technology is in its emerging stages
- Opportunity for ESCOs to provide energy audits and ongoing analysis

Energy Related Value-Added Services (ERVAS) (cont'd)

Financing of Energy Efficiency Equipment and Improvements to Buildings

- Current common types
 - LED retrofits, demand response, high efficiency boilers, windows, insulation, back-up generators
- Solar
 - In its own league
- Emergent
 - Buildings to grid “transactive” approach

Efficiency Standards

Standards make sense when it comes to certain distinct products such as boilers and windows where there are established rating criteria

It would not be possible or practical to measure year over year energy reductions

- Appliance contracts and energy software are geared to making sure energy is not wasted
 - A tuned HVAC unit can only be compared to an un-tuned unit

Efficiency Standards (cont'd)

- It would not be possible or practical to measure year over year energy reduction
 - For example, controlling the settings on an air conditioner that is constantly running would not show savings

Due to weather normalization factors and lifestyle or business changes it would be very difficult to track or make sense of year over year usage changes

- Thus savings is not always apparent, continuous and certainly not cumulative

Final Thoughts

- A balance needs to be struck between customer wants and/or needs with some common sense controls
- There may be a role for customer surveys regarding enhanced services as well as their satisfaction with them
- As we continue through this collaborative process it is important that our analyses rest on facts and not on assertions

THANK YOU!



Great Eastern Energy

1515 Sheepshead Bay Rd

Brooklyn, NY 11235

T 718.648.0900 F 718.648.5111

