

Village of Shannon

Electrical Aggregation Fact Sheet and Frequently Asked Questions

Recent changes by the State of Illinois regarding electrical regulation have given residents the ability to purchase their electricity from electric suppliers besides Commonwealth Edison (ComEd). As part of those regulatory changes, municipalities may also bid the cost of electricity on behalf of residents and small business as a way to reduce electric supply costs. This process is commonly referred to as municipal aggregation. However, in order to proceed with electrical aggregation, the Village must first gain public support through an advisory referendum. On December 12, 2011 the Village Board approved an ordinance to authorize placing a question on the Tuesday, March 20, 2012, primary election ballot. The Village's goal is to provide residents with as much information as possible to be fully informed of their options prior to voting.

Below are some frequently asked questions (FAQs) on electrical aggregation:

Q: What is electrical aggregation?

A: Electrical aggregation is a process which allows the Village to pool, or aggregate the residents and small businesses together, and to then seek competitive bids from electrical energy suppliers for the cost of electricity (purchased by kilowatt hour) used by the Village's residents and small businesses.

Q: Why pursue electrical aggregation?

A: By pooling, or aggregating the entire electrical load for Village residents and small businesses, the Village can seek competitive bids from power suppliers approved by the Illinois Commerce Commission. The larger, aggregated load puts us in a position to obtain a more favorable electric supply rate than is currently offered if you receive your electric supply from ComEd. Communities that have completed the aggregation process have received a lower supply cost for their electricity than the rate offered by ComEd.

Q: Why is the opportunity for municipal electric aggregation available?

A: Governor Quinn signed into law Public Act 096-0176 on August 10, 2009, which amended Illinois' original electric deregulation legislation. This is the final phase of the deregulation process. Until this Act was amended, only larger customers such as industrial, commercial, and governmental entities could participate and currently a majority of this commercial load is purchased from sources other than ComEd. The new law now allows municipalities to transfer their residents' and small business owners' electric accounts to alternative electric suppliers.

Q: What is electric deregulation?

A: On December 16, 1997, the State of Illinois implemented a plan to deregulate ComEd. Under this plan, ComEd no longer generates electricity for its customers but continues to provide power generated by others through its distribution system. Deregulation means that power can be purchased through any one of the Illinois Commerce Commission-approved power suppliers.

Q: How does the electrical aggregation process work?

A: Under Illinois law, the Village must place a referendum question on the ballot asking its voters to give the Village the authority to aggregate electric accounts and seek bids for electric power supply. If the referendum is approved, the Village must then hold at least two public hearings to discuss and create an aggregation plan. Once the plan is in place, the Village will prepare and publicize a request for proposals to provide for the electric supply. Only energy suppliers certified and regulated by the Illinois Commerce Commission are allowed to submit proposals. The bid that comes closest to achieving the goals of the aggregation plan would be accepted. However, if none of the bids meet the plan's goals, there would be no obligation to accept one, and the aggregated accounts would continue to receive power from ComEd at prevailing rates. A resident or small business would have no obligation to participate and could choose to opt out of the program altogether.

Q: How does ComEd fit into the aggregation picture?

A: ComEd remains the distributor of electrical power, regardless of the supplier. If we switch to another power supplier, residents and small businesses will still receive their bills from ComEd, and ComEd will still be responsible for delivering the electric power and maintaining the electrical distribution system. The change will be virtually transparent to the end user.

Q: How does electrical aggregation impact me?

A: You will not notice a change under aggregation; you will continue to receive your bill from ComEd and ComEd will continue to deliver the electricity to your home or business. The only difference will be the potential for a reduced cost on the supply portion of your electric bill. To better understand this, it is helpful to have general knowledge of how electricity is purchased and distributed. Below is a brief overview of the companies involved in electrical power:

Generation Companies: These companies generate electric power and sell it to suppliers. The aggregation process does not impact them.

Supplier Companies: These companies purchase power from the generation companies for resale. Aggregation impacts your relationship with the supplier by allowing the Village to act as a buyer for all residents in the Village.

Transmitter Companies: A transmitter company is responsible for operating the grid that brings power to your home. ComEd is the transmitter for most of the northern Illinois. Aggregation has no impact on the transmitter companies.

Q: What are the benefits of electrical aggregation?

A: The most important benefit is the potential for residents and small businesses to save money on electric supply costs.

Q: Where is the Village at in the electrical aggregation process?

A: On December 12, 2011 the Village Board approved an ordinance to authorize placing a referendum question on the Tuesday, March 20, 2012, primary election ballot.

Q: What does the referendum question ask?

A: The question on the ballot will read as follows:

Shall the Village of Shannon have the authority to arrange for the supply of electricity for its residential and small commercial retail customers who have not opted out of such program?

YES ____ NO ____

Q: Do I have to participate in aggregation?

A: No. If this referendum passes, that only means that the Village may bid on behalf of you and your fellow residents but does not obligate either the Village or you to actually complete the process. If the Village does find a supplier with a favorable rate and decides to proceed, you still have the option to *opt out* of the program when the Village notifies residents of its choices. Instructions for doing so will be provided at that time.

Q: What are the benefits of electrical aggregation?

A: The most important benefit is the potential for residents and small businesses to save money on electric supply costs.

Q: Can savings be guaranteed under an aggregation program?

A: Market fluctuations make it impossible to guarantee that bids would come in under the current energy rate paid by ComEd customers. ComEd adjusts its energy rate each May therefore it is impossible to predict future ComEd rates and subsequent savings. The Village can however structure its request for proposals so that the supply price will not be higher than the ComEd rate. Municipalities that have completed the electrical aggregation process and have bid out their community's electric supply have received pricing that is currently saving their resident and small businesses money.

Q: What happens if a municipality cannot purchase or negotiate lower rates than ComEd?

A: Your account would stay at ComEd, and ComEd would remain both the provider of your power and the distributor of your power. Either way, ComEd would be your distributor.

Q: If aggregation means lower energy costs for customers, wouldn't ComEd simply increase charges on the distribution side to protect its profit margin?

A: ComEd owns the distribution system only and does not realize profits or losses from the sale of energy. ComEd has worked for several years with large commercial and industrial customers who have switched to third-party energy suppliers and remains supportive of other customers who switch to third-party suppliers. The Illinois Commerce Commission (ICC) regulations dictate that ComEd cannot introduce any separate distribution fees on municipalities that aggregate.

Q: If a referendum is approved, how long will it be before the program is implemented?

A: State law requires that certain steps be followed to approve and implement any electrical aggregation program, include a plan of governance. Once the plan is created and adopted, staff

would seek competitive bids from energy suppliers via a formal request for proposals (RFP) process. Assuming a bid is received that meets the goals of the plan, a contract with that supplier would then be negotiated. The earliest possible date such a program could be implemented would be late summer/early fall 2012.

Q: I have received mailings from retail electric suppliers offering lower electricity rates now. What should I do?

A: As previously stated, the earliest the Village's aggregation program is likely to begin is late summer 2012. Consumers who decide to switch to a retail electric supplier before the Village's program is available should consider several aspects of the retail supplier's offer:

Length of contract: Many retail suppliers require a minimum 1-year contract, which may prevent a customer from participating in the Village's aggregation program.

Termination fees: Look at the cost of early termination. Some companies charge fees and others do not.

Q: What is considered as a "small business" eligible for the aggregation program?

A: Small businesses are those which are currently classified as a "0 to 100 kWh account". Your electric bill identifies your account classification.

Q: What component of the electrical bill will aggregation effect?

A: Aggregation affects only the electrical supply services portion of the electric bill which typically accounts for 65% to 70% of the electricity bill.

Q: If I were to participate in electric aggregation, would I get two bills - one from ComEd for delivering the power, and another from the company that provided it?

A: No. You will continue to receive your bill from ComEd.

Q: Who would take care of my power if there was a power outage?

A: ComEd, by law, will continue to distribute the power to your home or business and handle any emergency repairs and outages.

If you have additional questions they may be directed to:

Village President, Bonnie Foust 815.864.2577

For additional information please click on the links below.

[Illinois Commerce Commission: Municipal Aggregation](#)

[ICC Plug In Illinois](#)

www.barrington-il.gov

[Com Ed Understanding your Bill](#)

