

Municipal Aggregation Update

Many municipal aggregation programs established in 2012 have come up for renewal in the last few months. Several programs were suspended and returned to ComEd.

This year, NIMEC renewed 54 aggregation programs while 28 were unable to procure attractive pricing, and returned their participants to ComEd.

Two factors contributed to the aggregations moving back to ComEd. First, electricity prices rose sharply over the first five months of the year. Thus, renewals contracted earlier in the year received more favorable pricing than those in the spring.

A larger factor is this: current power pricing has an inherent bias toward communities with larger homes/higher usage. Thus, villages such as Lake Forest, Hinsdale and Orland Park receive more attractive pricing compared to municipalities such as Chicago, Cicero or Franklin Park. All NIMEC aggregations

returning to ComEd were from villages with smaller homes.

This “size” bias is currently under review at the ICC and will likely be changed during the next year. As such, this bias will likely disappear in June of 2015.

At that time, suppliers will likely view all residents equally, from a pricing perspective. This could lead to pricing advantages to large groups of municipalities that would bid together, leveraging their collective usage. NIMEC is well positioned to take advantage of this, should this change occur.

Another major development in the industry is rising prices. ComEd’s rate jumped from 5.5¢ to 7.6¢ (plus the Purchased Electricity Adjustment). The jump is due to: a) a large increase in a regulated charge that is embedded in power prices, and b) commodity pricing,

including power, rising over the last 24 months.

When aggregation first arrived, power savings of 25% to 30% were not uncommon. However, savings from recent renewals have dropped to under 10% in most cases, with several villages unable to achieve any savings.

What’s next? It is our view that the ICC ruling will pass, making pricing ubiquitous for all northern Illinois residents. Larger aggregations (like Chicago) should then dictate more attractive pricing, as suppliers will be eager to capture volume.

NIMEC’s collective volume should work to your advantage. Further, it is our belief that next summer, NIMEC will be able to achieve savings compared to ComEd (even for those villages that recently returned to ComEd). The magnitude of those savings, however, is unknown at this time.