



Energy Buying Options in a Deregulated Market— ASP Presentation Outline

The intent of this lesson is to provide information and skills to ASP attendees so they can better understand purchasing electric and/or natural gas from an alternate supplier as a means to reduce farm energy costs.

Slides 1 through 4: Introduction. The presenter introduces self, the importance and relevance of the subject, and the learning objectives for the module. The audience will learn a little history of deregulated energy markets and how they work. By understanding deregulated energy markets, ASPs may help farmers save money on utilities. There may be savings to be enjoyed if the process is understood, energy use is known and some effort is expended regarding alternate suppliers' energy pricing.

Slides 5 through 9: History of electric deregulation as it occurred in Pennsylvania. An understanding of how and why we now have deregulated electricity and natural gas supplies will aid the development of overall understanding for the audience. Many states have deregulated the electric supply (generation) portion of electric service. The supply portion of natural gas service has been deregulated in some locations as well. The delivery service for both natural gas and electric continues to be provided by distribution companies which remains regulated. PA Electricity Generation Choice and Competition Act of 1996 was enacted to reduce cost to the consumer and make the generation and sale of electricity a competitive process based on the assumption that a competitive market is more efficient than a regulated one resulting in lower prices for the consumer.

Slides 10 and 11: Components of providing electric service as reflected in the billing process. These slides focus on the three major components of the electric bill (distribution, transmission, and generation); describing the function of each and identifying which ones remain regulated and which (one) is now unregulated (a.k.a. competitive market).

Slides 12 and 13: Where electric supplier choice has been implemented. Slides 14 and 15 are Pennsylvania specific regarding electric supplier information.

Slides 16 through 20: Considerations for choosing an alternate electric supplier. Some alternate suppliers offer fixed price contracts while others offer variable price contracts. Fixed price contracts are based on what the supplier expects costs to be when buying energy for a group of customers during the contract term. With a fixed price contract every kilowatt-hour (kWh) is supplied to the group of customers at the same price. With variable price contracts, the supplier buys electricity from the wholesale market to supply a group of customers and simply adds a markup to the wholesale price. Variable price contracts may result in large price swings during the contract period.

Slides 21 and 22: Cost comparison calculators for home and business (PA).

Slide 23: The price increase that occurred for customers with variable price contracts in PA during a long cold spell in January and February, 2014. During that time, electric energy was in short supply so supply prices increased dramatically, nearly tripling. A newspaper article excerpt points out that many customers were not at all happy with the outcome. An investigation was launched to look into variable price contracts including the sufficiency of disclosures regarding the possible price increases during a colder than usual winter.

Slides 24 and 25: Deregulation of natural gas (NG) supply. This part of the discussion attempts to leverage the concepts from the electric supply deregulation earlier in the module since the concepts are very similar.

Slides 26 and 27: Description of the deregulation of natural gas supply. The previous (more detailed) discussion of electric deregulation is referenced rather than being overly repetitious.

Slide 28: An excerpt from the Natural Gas Supplier Choice comparison of gas prices and a brief discussion of its effect. This example is PA specific.

Slide 29: A graphic from EIA (U.S. Energy Information Administration) indicating where natural gas supplier choice has been implemented.

Slides 30 through 33: The differences between fixed and variable price purchase agreements for natural gas.

Slide 34 and 35: Steps for a farmer to compare energy suppliers and costs.

Slide 36: Conclusion. There may be alternate suppliers that are willing to provide electricity and/or natural gas at a lower rate than the current supplier. But as always, buyers beware! Read the offer and the contract.

Slide 37 and 38: References to the Pennsylvania Public Utility Commission for information related to deregulation.

Slide 39: Questions.

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