

Community Choice Aggregation (CCA)

Description and Analysis

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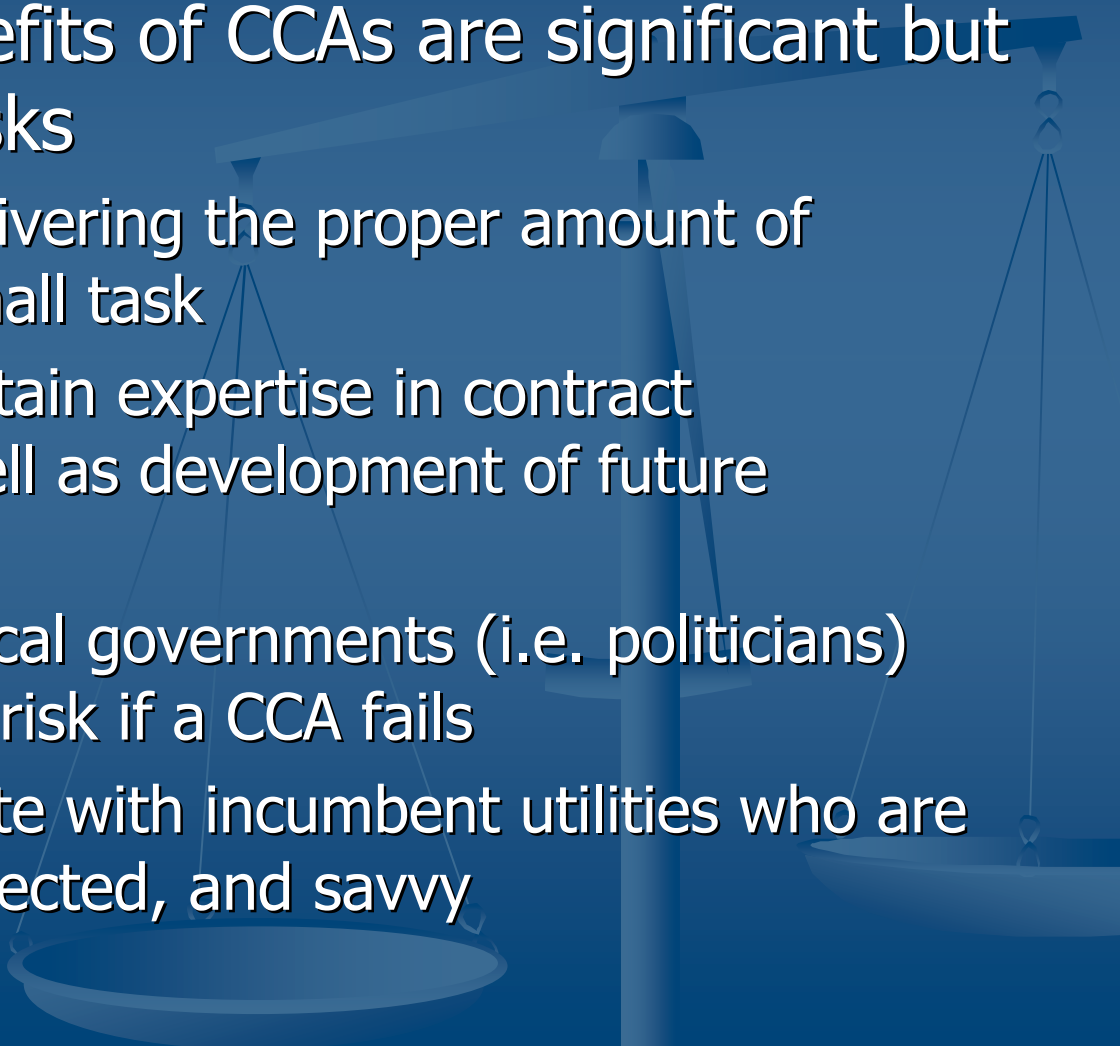
What is CCA and Why are People Interested?

- A policy tool that allows communities to aggregate or group together for the purpose of purchasing electricity
 - Allows for increased local participation in energy related decisions
 - Communities have the opportunity to coordinate their energy supplies with their values—both financial and environmental
 - Allows communities to take advantage of increased purchasing power that comes with organized consumers
 - Provides access to low cost municipal capital (financing) for development of their own generation capacity

Where did CCAs come from and how are they different from what we have today?

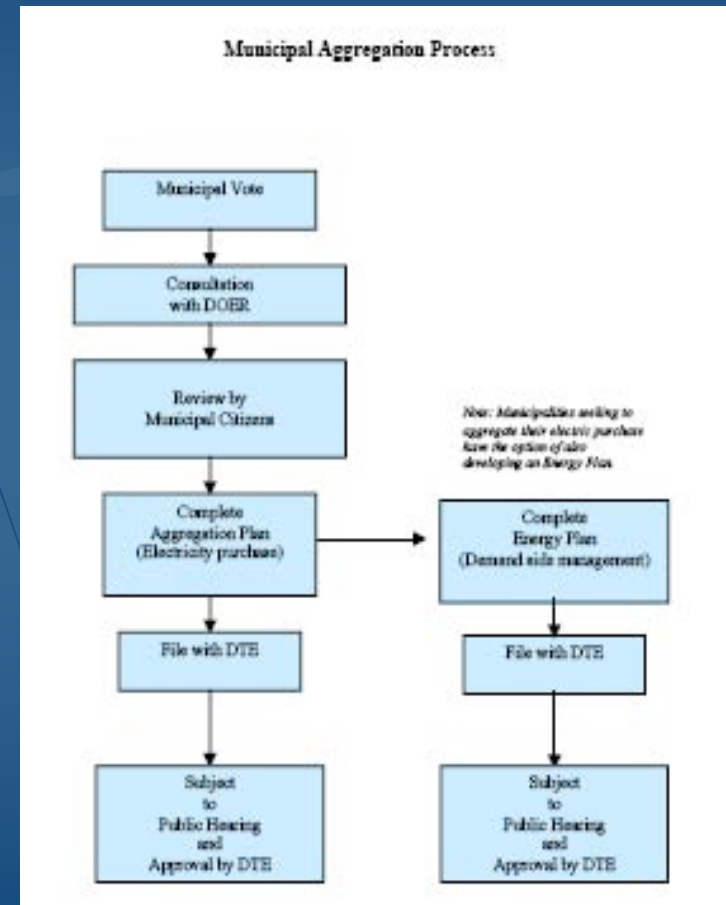
- CCAs occupy a niche between regulated and deregulated electricity markets
 - Allow for community choice but are less subject to the pitfalls of a “consumer choice” model
- Unlike municipal utilities CCAs do not own or operate the transmission and distribution system
 - Allows them to avoid the legal battles that plague municipalization efforts

Why isn't everyone creating CCAs?

- The potential benefits of CCAs are significant but they come with risks
 - Procuring and delivering the proper amount of electricity is no small task
 - The CCA must obtain expertise in contract negotiations as well as development of future generation
 - Ratepayers and local governments (i.e. politicians) bear 100% of the risk if a CCA fails
 - CCAs must compete with incumbent utilities who are experienced, connected, and savvy
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How does one go about forming a CCA?

- Process Initiation
- Preliminary Feasibility study
- Phase II Feasibility study
- Creating the Implementation or aggregation “business plan”
- Issuing an RFP
- Negotiating contract and opportunity for public review
- Obtaining local and state approval



Graphic source: Guide to Municipal Aggregation in Massachusetts

http://www.mass.gov/doer/pub_info/agg-guid.pdf

Cape Light Compact



Graphic source: www.local.org

- Serves 197,000 customers
- Has implemented energy efficiency and DSM programs
 - Saves approximately 12 GWh annually
 - Benefit cost ratio of 2.36
- Offers Green purchasing options of 50 and 100%
- Serves as a Consumer advocate
- Is competitive with the local utility provider
- Is studying the potential to build its own renewable generation

CCA in California

- Eleven Communities actively pursuing CCA
- City and County of San Francisco
 - 50% renewables by 2017
 - “Meet or Beat” PG&E in pricing and green attributes
 - Best case scenario
 - Adopt aggressive efficiency/DSM campaign
 - Aggressive implementation of renewables: solar and wind
 - customers pay \$3.50 extra per month initially to move toward renewables goal
 - Savings move into the black after 2-4 years
 - Potential for \$51 million in savings over ten years and as much as \$700 million over thirty years (nondiscounted dollars)

CCA in California

- Marin County

- Goal of 50% renewables by 2017

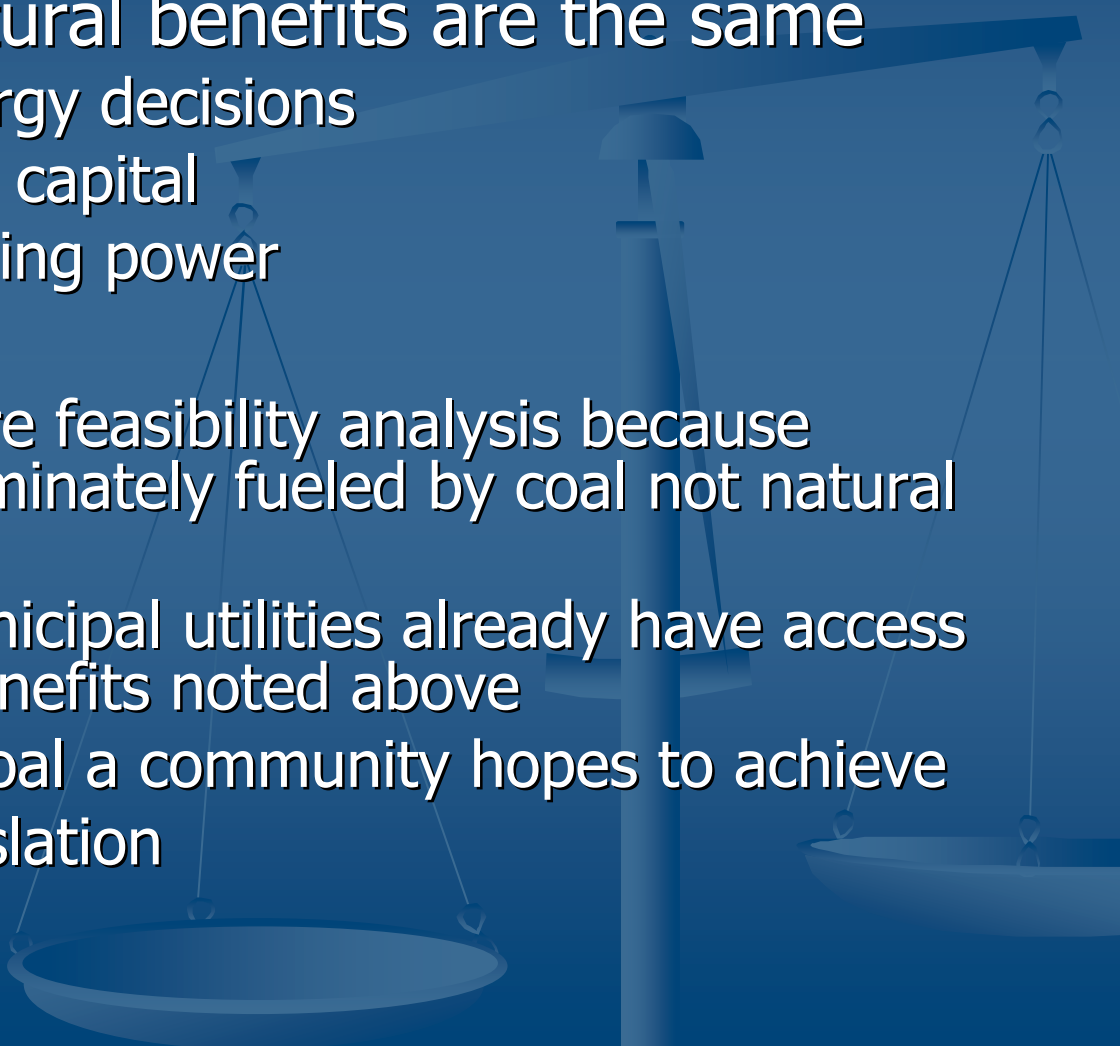
- Prices within 5% of PG&E for initial transitory period
- No-CCA option means spending of \$33-442 million (roughly 5% increase in costs)
- Could phase-in, offer a green pricing structure, negotiate contracts so that later savings are available presently, market the price stability aspect

Hurdles in California



- Political and Public Hesitance
 - The risks are real and potent
- Pricing due to Cost Responsibility Surcharge (CRS) and aggressive renewables goals
- Competition over wind power sites
 - Could be mitigated by expanding wind resource area that contributes to renewable portfolio

Does CCA have role in Colorado

- Many of the structural benefits are the same
 - Locally driven energy decisions
 - Access to low cost capital
 - Increased purchasing power
 - But...
 - Difficult to compare feasibility analysis because Colorado is predominately fueled by coal not natural gas
 - The REAs and municipal utilities already have access to 2 of 3 of the benefits noted above
 - Depends on the goal a community hopes to achieve
 - Requires new legislation
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References

- Lantz, Eric. (2006). *Community Choice Aggregation: A Description and Analysis*. December 11, 2006 <http://www.fivestarconsultants.com/Grad%20Projects.html>

