

## Shopping Around for Cheaper Power

### Almost 12 years after NJ deregulated its residential electricity market, new suppliers are discounting power prices by 15 percent

By Tom Johnson, June 25 in Energy & Environment

Want to cut your electric bill by as much 15 percent? Apparently a lot of New Jerseyans are jumping at the opportunity.

For the first time in several years, consumers have the option to shop around and find a supplier who will sell them electricity at a cheaper price than their electric utility.

In recent months, at least two new suppliers have entered the New Jersey residential market, offering customers cheaper electric rates than those they get from their utility, which delivers power to their homes. With discounts as high as 15 percent, it appears the state is moving toward finally achieving a competitive residential market for electricity—nearly a dozen years after the industry was deregulated.

It's about time, say consumer advocates. When the state approved a deregulation law in 1999, it was touted as leading to an era of lower gas and electric rates because competitors would flock into the market, forcing existing suppliers to lower prices. Initially, suppliers did enter the market offering lower prices, but they quickly bailed out when they found they couldn't make good on their promises and make a profit at the same time.

Two factors appear to be driving the trend to a more competitive market: a steep drop in natural gas prices and the unique way New Jersey's four electric utilities purchase the power they need to supply their customers. In an effort to buffer customers from big spikes in electric bills caused by a rapid run up in natural gas prices, the utilities buy one-third of the power they need each year every three years and come up with a price based on the three-year average.

The system has worked to avert price spikes experienced by customers in other states after record increases in natural gas prices, but works against consumers when the fuel prices drop, as they have recently. The suppliers are exploiting that opening with very good results.

"We are grabbing a handful, I can tell you that," said Darlene Hyde, a spokeswoman for Gateway Energy Services, based in Montebello, N.Y., which started marketing to customers throughout New Jersey at the end of April and has already signed up more than 10,000. That number is remarkable when gauged against the number of residential customers who had switched electricity suppliers back in 2009. According to the state Board of Public Utilities website, only 12 residential customers out of a total of 2.6 million had opted to get their electricity from someone other than their incumbent utility.

### Leaving Incumbent Utilities Behind

Nearly 6,000 commercial and industrial customers have switched from their incumbent utility, largely because they use much more energy than the typical residential customers and it is easier for a new energy supplier to put together an energy package that will undercut the price offered by the customer's utility. Still, it has fueled a perception among consumer advocates that only the biggest players have benefitted from the state's deregulation effort.

"Certainly competition that provides reliable service and a lower price is a good thing, but you've got to look at the fine print because there were a lot of problems early on in deregulation with these suppliers," said Ev Liebman, director of program advocacy for New Jersey Citizen Action. "Hopefully, it's good news."

Gateway initially offered customers a 10 percent discount on the supply side of the bill, which accounts for roughly two-thirds of the bill (the other third covers the cost of delivering the electricity and ancillary costs). But it is now offering even bigger discounts in the summer months when electricity prices are traditionally the highest.

For instance a typical customer of Public Service Electric & Gas is being offered a savings of 14 percent on their utility bill, according to Hyde. The offer sounded good to many customers, since about 9,400 residents have switched to a third-party supplier, according to Karen Johnson, a spokeswoman for the utility. Besides Gateway, Dominion Retail, based in Richmond, Va., has entered the New Jersey residential market too. The company is actively prospecting for customers in Jersey Central Power & Light's territory, sending

out more than 200,000 mailings about a month ago and planning to send out more soon, said Dan Donovan, a spokesman for the company.

Donovan said the company does not disclose how many customers it has signed up, but added, "he response has been very good."

Unlike other retail suppliers, Dominion usually begins selling in the residential market . It has signed up more than 100,000 customers in Pennsylvania and about 300,000 in Massachusetts, two other deregulated markets which it has entered, he said. "We do well with the educated consumer," Donovan said. "It puts a few bucks back in their pockets."

Whether the suppliers can build a sustained competitive market is uncertain.

"A lot of the inertia is in trying to sign up the customer to switch," said Gene Meehan, a senior vice president of NERA Economic Consulting in New York City. "But once they get the customer, they generally retain them. If your natural gas prices go up again, though, that might be another story."