

Best Practice for Community Choice Aggregation

- Lessons learned from the Town of Brookline, MA

The Town of Brookline launched one of the most successful Community Choice Aggregation (CCA) programs throughout Massachusetts. As a part of Greater Boston, Brookline is home to 58,732 people in 24,891 households. With a median income of \$66,711 per household, it is a relatively wealthy neighborhood.¹

This report concerns the Town's program design and implementation process, and what officials advise other municipalities, based on the reports of the Town's senior planner, Maria Morelli.

In alignment with the Massachusetts' Global Warming Solutions Act, Brookline promotes a goal of achieving 80% reduction in greenhouse gas emissions by 2050. The Town therefore established a *Selectmen's Climate Action Committee* to develop a Climate Action Plan that was approved by the Board of Selectmen in 2012. Implementing a CCA program and increasing the share of renewable energy is one part of this Climate Action Plan, as approximately 21% of Brookline citizen's climate change-causing emissions come from generating electricity.²

PROGRAM OVERVIEW

Energy Broker:	Good Energy and Sustainable Energy Advantage
Contract:	July 2017 - December 2019 (30 months)
Delivery supplier:	Eversource
Electricity supplier:	Conventional energy - Dynegy Renewable energy - Mass Energy (= Massachusetts Class I Renewable Energy Certificates)
Products:	
○ <u>Brookline Green</u> (default):	25% local renewable energy in addition to the Renewables Portfolio Standard
○ <u>Brookline All Green</u> :	100% local renewable energy in addition to the RPS
○ <u>Brookline Basic</u> :	0% in addition to the amount required by the RPS

The report is divided into four major parts, representing the sequential steps in instituting a CCA program: Consultation and administrative work, bidding, design of the program and outreach. To start with, a timeline gives an overview of when the respective steps were undertaken in the case of Brookline.

¹ Brookline Massachusetts, https://en.wikipedia.org/wiki/Brookline,_Massachusetts, accessed 12/13/17

² Climate Action Brookline, <http://climateactionbrookline.org/news/other-news/73-article-1-secondary-pos>, accessed 12/5/17

TIMELINE

1997 Commonwealth of Massachusetts enacted a public policy called “Community Choice Aggregation” (CCA) enabling cities and towns to aggregate the buying power of individual electricity customers.

November 2015 Town Meeting passes both a warrant article authorizing Town to purchase electricity on behalf of residents and businesses and a resolution urging the Board of Selectmen to purchase 25% more renewable energy through an aggregation plan.

April 2016 The Town conducts procurement for an aggregation consultant, in partnership with the Metropolitan Area Planning Council. The Board of Selectmen selects Good Energy.

June 2016 The Board of Selectmen holds public hearings on the draft aggregation program [No written comments were received] and votes to submit the aggregation to the Massachusetts Department of Public Utilities (DPU) for approval.

July 2016 Representatives of Good Energy and the Town met with the Department of Energy Resources to review the aggregation plan and obtain their guidance and technical assistance.

September 2016 DPU holds a public hearing on the Town’s aggregation plan.

April 2017 DPU approves Brookline aggregation plan.

May 2017 Town conducts a rigorous bidding process for electricity supplier and selects Dynegy. Each account holder receives a letter from Town of Brookline confirming enrollment and that service will be switching over to the new supplier.

July 2017 Brookline Green Electricity is rolled out, first billing cycle begins for account holders. Change in Supply Rate portion of August bill.³

³ Brookline Green Electricity Timeline, <http://www.brooklinema.gov/1341/Timeline>, accessed 11/2/17

CONSULTATION AND ADMINISTRATIVE WORK

Since 1997, all electricity consumers in Massachusetts have the option to select an alternate retail electricity supplier, if they prefer its service to the default electricity supplier. Regardless only very few residential customers have switched to competitive suppliers. Vendor selection process can be complicated and time consuming, creating concern about making the right choice. Thus, their utility automatically serves their electricity supply needs through “basic service”.

In contrast, a great part of the electricity consumed by commercial customers comes from competitive electricity suppliers. Large commercial customers have proven that they can obtain significant benefits by switching to competitive suppliers.

Empowering residents to make use of these benefits is a service municipalities of all sizes can provide to their residents at almost no costs. With the help of consultants or energy brokers, municipalities procure their energy supply making use of their increased purchasing power.

The basic idea behind CCA is:

higher competition from deregulation + greater purchasing power = lower rates

Brookline was assisted by the regional planning agency MAPC (Metropolitan Area Planning Council), when setting up a request for proposal for an energy broker. Installing a citizen advisory group and gathering experts helped the city to ask the brokers incisive questions, which was key to obtaining a satisfactory contract.

It is of importance to hire two different energy brokers- one for renewable energy, and one for conventional, as the markets substantially differ. Apart from GoodEnergy for conventional energy, Brookline hired Sustainable Energy Advantage to advise them on the purchase of renewables. It is crucial to meet with several energy brokers to ensure maximum support.

As energy brokers are paid by the number of participants at usually \$0.001 per kWh, it is in their own interest to invest in outreach to generate high participation. Regardless, they have a limit to how much they devote to outreach, as it eats up in their profits at some point.

The municipality can substantially limit their administrative workload, when the broker takes care of the outreach. Municipalities should include this in their request for proposal – and a good energy broker will assume the costs of outreach right from the start, such as including the services of a public relations or advertising firm. Even is contracted out, municipalities need to make sure to remain in control over the outreach the broker is undertaking.

As for Brookline, GoodEnergy had great marketing potential, making up brochures and printing them, performing the public relations and outreach to the residents. The Town has one staff person, Maria Morelli, who devotes half her time to all climate action initiatives including aggregation. According to her, the developing of the program and the launch was intense, but manageable. The highest workload is limited to the 30 day opt-out period where most of the outreach takes place.

After implementation, the administrative work mostly consists of answering phone calls from residents. The municipality should ensure that the people answering the phone are equipped, able to defend the program, answer the core questions and assure people. In a city such as Boston that requires that city employees actually reside in Boston, all of the employees are going to be affected and should understand the program themselves. Weekly standing meetings with the supplier and the energy broker should be scheduled in order to be aware of incoming complaints they received.

BIDDING

The Town of Brookline worked with the energy and aggregation expert, GoodEnergy, to vet suppliers and manage the rigorous bidding process.⁴ Key points include the following.

The point of time to go out for bid is a critical issue: The municipality should wait until the basic supplier has announced its rates for the next 6 months to limit uncertainty to the highest extent possible. Brookline waited for Eversource to announce its rate before bidding, to ensure their rate competes with Eversource's basic service.

As important as knowing the basic supplier's rate, is deciding the cycle in which to go out to bid. Because of the increased use of AC, rates are usually higher in summer. It is therefore preferable to go out for bidding in winter.

The energy market is very volatile and bidding happens fast – the municipality has one hour to accept bids. The window in which the municipality gets its bids in, the basic supplier and the new supplier exchange and the municipality sends out letters, is very small. In order to prepare for the bidding process, the municipality needs to gather some knowledge on how the energy markets work and the factors that are influencing energy prices.

Brookline especially considered REC prices. In view of a possible increase of the RPS from the fixed 1% annually to 3%, there was an uncertainty about the REC prices. And how would the market be affected, if Boston decided to aggregate as well? Would an increase in demand entail lower prices? Not necessarily, they concluded, because the supply to meet that demand was simply missing.

Brookline found out that residents were willing to implement a higher percentage of renewables than the RPS required, if costs would not go up more than \$7 per month. Anyone who has a discount arrangement through Eversource for delivery gets to keep these benefits.

At the time Brookline authorized an aggregation program back in 2015, REC prices were at a historic high of \$45 a REC (compare: Mass Energy is now offering \$32 RECs). Assuming REC prices would either fall or stay this high, Brookline calculated what percentage of renewables would be viable. The typical consumption per month per household was about 0.6 MWh, so even with REC prices of \$45, rates would only have gone up by \$1.35/month compared to Eversource's basic rate, if the town launched a default program with 25%

⁴ Town of Brookline Announces "Brookline Green Electricity", <http://www.brooklinema.gov/1398/Press-Release>, accessed 11/29/17

additional renewable energy. REC prices have been going down ever since. By the time Brookline went out to bid 2 years later, they locked in their aggregation price at \$28 a REC.

Out of the hundreds of electricity suppliers doing business in the state, only four met the Town's rigorous criteria and were qualified to bid. Brookline eventually accepted Dynegy's offer. The NGO MassEnergy was chosen as supplier for renewables: Locally generated, this supplier is going to add new energy to the power grid, building up the local economy. Brookline is getting mostly wind power from Massachusetts Class 1 renewables.⁴

DESIGN OF THE PROGRAM

CCAs are a relatively quickly and cheap way for communities to accelerate the transition toward a renewable electricity supply. The municipality's customers use their collective spending power to reduce emissions and stimulate more investment in renewables⁵, taking direct action on the current trend: Fossil fuels will increasingly be replaced by renewable energy, as wind and solar prices are expected to fall while the price of natural gas rises.⁶

CCAs can procure more renewable energy than required under the Commonwealth's Renewable Energy Portfolio (RPS) law – 12 percent in 2017, increasing annually by 1 percent. Municipalities invest in the installation of renewables by buying additional so-called renewable energy credits (RECs), that are created when a renewable generator produces electricity.

When choosing which products to offer, Brookline's priority was to get as many residents in the program as possible, even if they were not willing to pay more for additional RECs. The Town thus decided to have a 0% additionality product in their aggregation program in addition to their 25% default product. Being very particular about consumer rights, the DPU would most likely not have accepted a program without a product that equals the Eversource basic rate in terms of the price. To ensure high participation rates and an effective aggregation, this approach should be considered even with a 5% default product. But Brookline also wanted to offer a 100% renewable product, that offered a cheaper rate than MassEnergy provided. Brookline's residents can now choose between Brookline Green (25%), Brookline All Green (100%) and Brookline Basic (0%).

Participation in the Brookline Green standard product will help Brookline displace nearly 34 million pounds of carbon-dioxide emissions annually.⁴ The idea is that by the end of the 30 months contract of the CCA program, residents will be aware of the importance of climate action and have some records of how they contributed in reducing greenhouse gas emissions. They might not drop out as a consequence, even if rates increased.

The municipality can arrange a contract with the supplier that is 18, 30 or even 36 months long. There is no need to have the same contract length for renewables though.

Brookline was advised by their renewable energy broker Sustainable Energy Advantage to lock in 30 months for traditional energy and only 18 months for renewables, as prices run in different directions. In light of the chance that the RPS standard would rise on the state

⁵ An Analysis of Community Choice Energy for Boston, Tyler Comings et.al., Applied Economics Clinic, 2017

⁶ Community Choice Aggregation (CCA) in Massachusetts, Lichtenstein, University of New Hampshire Sustainability Institute, 2017

level, Brookline was skeptical about the price trends. Furthermore, the Town promised rate stability to its residents. Even if prices fell down on the REC side during these 30 months, Brookline still offered a decent rate and it was up to the resident to stay in the program. The Town therefore decided to lock in both renewable and traditional energy for 30 months. This design of the program made it less confusing for the residents and built trust.

By locking the rates for a longer period of time than the basic service does, the municipality guarantees price stability. The Eversource or National Grid basic service changes every six months and fluctuates significantly between winter and summer months, whereas the aggregation rates remain stable throughout the service period, allowing people to plan ahead.

Brookline was able to negotiate a contract in which everyone has same rate no matter what class they are in, be it residential, small or large commercial. For all the small commercial Brookline has, this meant great savings. It also made it easier to talk about the program, as most customers are not aware of the class they are in.

The state required opt-out design of the program maximizes the number of participants and achieves the market scale that makes aggregation effective. After the 30-day opt-out period, residents and businesses will still be able to leave the program at any time without having to pay any early termination or exit fees.

Opt out data generally needs to be reviewed with some caution, as an opt out can simply represent a resident leaving the municipality. Brookline launched in July, a time where many people change their apartment leases. In the weekly status meeting with Dynegy and GoodEnergy, Brookline was able to figure if an opt out derived from a person terminating their contract to adjust these numbers.

The participation goal for Brookline was to have an opt out rate of less than 10%. As of December 2017, 91% of the residents are enrolled in the aggregation program. When the program launched in July 2017, residential customers paid about \$2/month additionally for the default option Brookline Green (25%) compared to the basic Eversource rate:

	Brookline Green	Brookline All Green	Brookline Basic	Eversource Basic Service
	25% additional RECs	100% additional RECs	0% additional RECs	0% additional RECs
Residential	\$0.11098/kWh	\$0.13198/kWh	\$0.10398/kWh	\$0.10759/kWh
Small Commercial & Industrial				\$0.10764/kWh
Large Commercial & Industrial				\$0.10834/kWh

Comparison of New Program with Eversource's Current Service⁷

⁷ Brookline Green Electricity Consumer Notice, <http://www.brooklinema.gov/1394/Consumer-Notice#New%20Rates%20at%20a%20Glance>, accessed 11/27/17

OUTREACH

The challenges in communicating a CCA program are huge, as most of the residents are completely unaware of their electric bill. Explaining the difference between supply charge and delivery charge, drawing attention to the Massachusetts Renewable Portfolio Standard (RPS) and pointing out price tendencies on the electricity market forms the basis to start talking about CCA. Although outreach should stress the environmental consequences of electricity consumption, the campaign should not be too “heavy on climate science”.

As it is not possible to reach out to all residents, the municipality needs to identify the most visible, vulnerable and influential key constituency groups. Brookline reached out to 25 of these, including the Russian community, religious communities (churches, synagogues), neighborhood groups, the aging population in senior housing, the Brookline Affordable Housing group and Town meeting members.

It is important to tailor the outreach and be prepared for the concerns specific groups might have. Vulnerable residents will be most interested in pricing, elderly people are more likely refuse change. If there are groups that do not have English as a first language, the municipality should offer translators – Brookline offered translated copies of their information material in Korean and Chinese. Isolating opponent groups, who influence people to not join the CCA - mainly wealthy residents that resist governance interference - is another effective way to ensure support for the program.

Outreach should not only address residents, but also property managers. Residents who own a condo or lease an apartment are responsible for their own accounts, but the trustees or the property manager is responsible for the common areas with a separate account. Property management firms often decide to opt out, because they deal with several accounts in different buildings. Especially if they manage a lot of property, they prefer their contracts to be consistent.

Once the program is launched, every resident receives an opt out letter they need to fill out should they prefer not to join the CCA program. The outreach campaign needs to clarify that automatic enrollment is state mandatory, enabling economies of scale, and that CCA is no government blank check. Anyone who lived in Brookline by the time of the launch and anyone who moves to Brookline now receives this opt out letter. Apparently, some residents mistook the poorly designed opt out letter as spam and threw it away, as feedback from Brookline and several other municipalities in Massachusetts has shown. Most residents do not pay much attention to the program and later claim to have been enrolled unwillingly. It is therefore necessary to redesign the opt out letter and transform it in a more consumer friendly and transparent form.

In Melrose, a postcard was sent out to each household before they received the official letter with the city seal that simplified the information and told residents not to throw out the letter. Because the state requires a lot of complex information to be included in the official letter, it can be confusing for residents, so they thought it would be wise to send a simplified postcard in advance.⁶

The municipality should keep their residents updated and remind them of opting up, once the program is running successfully. Brookline most recently reached out to its residents, when Eversource came out with the January to June 2018 supply rates. As they went up to about 13 cents/kWh, Brookline residents are now able to purchase 100% renewable energy for about the same price as Eversource's Basic Service.