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## PROFILE

# MUNICIPAL AGGREGATION IN ILLINOIS: 5 THINGS YOU SHOULD NOT IGNORE

Posted November 22, 2011 by admin



So, if you live in any of the suburbs surrounding Chicago, you've probably at least heard the term municipal aggregation, if you're not already knee-deep in it. In case you're not aware, it's essentially when the residents of a community band together, or *aggregate*, and purchase electricity as a group (and often through an energy broker) to receive a better rate. While we're generally supportive of anything related to switching electricity suppliers for the purpose of achieving lower rates, we're withholding judgment on municipal aggregations until a few more facts come to light. (Though we're bordering on the side of skeptical.) Here are five things that merit an eyebrow-raise:

**1. It's an opt-out process.** Hmm. Not sure why this is the case. This approach eliminates all semblance of choice, which we feel is extremely unfortunate because it flies in the face of deregulation and its primary reason for being: offering options and promoting competition among suppliers. So, not only are residents defaulted to switching if they don't opt out, but they also don't have any choice when it comes to which plan and supplier is best for their particular situation. While lower costs are certainly compelling to most people, they are not the only factor at play here. For example, one customer I recently spoke with wanted to switch to a supplier who managed the billing process instead of the utility. Never mind consumers who would prefer to go with a more environmentally friendly electricity source, which is often not the least expensive (and may not even be available to them). Why not have people opt *in*? We feel an opt-out scenario will only perpetuate the misconception that the industry is a scam, by imposing something on people that they're not entirely comfortable with and don't fully understand (if they're even aware it is happening.) There's just no good reason in our minds to adopt an opt-out process, other than to take advantage of residents' inaction.

**2. You aren't necessarily receiving the lowest rate.** For some people, switching suppliers is only about cost; they simply want the lowest price. Can we blame them? That said, just because you aggregate, does not mean you are receiving the best price. Aggregation requires the participation of an energy — or "power" — broker, who serves as intermediary between the electricity suppliers and the residents. This person may have cozier ties to particular suppliers over others, and as such, might be inclined to work with a supplier that offers a low rate, but not *the* lowest. Capiche? So, while aggregation does allow for lower costs in general, within those options there are different rates available. Just take a look [here](#). You should have a clear understanding of why a broker engages a particular supplier. Ask this question: does the broker use the same supplier for almost every aggregation? If so, that's a bit of a red flag.

**3. Not All Suppliers Are Alike.** There are reasons why one supplier may offer a better rate than others. If a supplier does their own billing, for example, they receive a small discount from the utility that they can then pass along to their customers if they so choose. Would you prefer to receive a bill from the supplier, or from the utility? Alternatively, a chosen supplier may engage in unfavorable marketing practices, e.g., multilevel marketing (aka "pyramid scams"), that allow them to charge less as a result of lower marketing costs. In the spirit of keeping this industry on the up-and-up (while deterring the door-to-door ground assault that's been occurring since deregulation really took hold), we would prefer not to perpetuate the unsavory practices of these suppliers by supporting them via aggregation, or otherwise. To be candid, we think going door-to-door cheapens the industry; it makes all the suppliers look pretty sketchy by using individuals who are not experienced in the industry to market their services for them.

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We advise that you know all of the options available for qualified suppliers and how they market themselves.

**4. You can miss out on savings now and in the future.** As is the case any time the government is involved, municipal aggregation takes a fairly simple process and complicates it, dragging it out to nearly a year from start to finish. First the city council must meet to discuss the program and decide if a referendum can be placed on the ballot. If approved, the council then selects a consultant to manage the aggregation process, which includes choosing a supplier and negotiating prices, then notifying residents and facilitating the switch with the utility. (I think I just aged writing about it.) Meanwhile, consumers could be benefitting right now by switching to a new supplier on their own. A year of savings could be achieved while you're waiting for the government to light a fire under its tushie and melt all of its red tape. Additionally, most of the municipalities are committing to aggregation contracts that last for several years. What if prices come down in a year or two? You can be locked into a long-term agreement with penalties built in for switching out early.

**5. Your municipality will now have access to your usage data.** Are you comfortable knowing that the government is now able to track your energy usage, both on an individual and a municipal level? Of course, the utility tracks the usage now for buying and conservation purposes, but placing this knowledge in the hands of the government is a whole different ball game. What will they be doing with this information? Will there be any impact on your municipality if it is deemed you are collectively using more energy than other municipalities? Or perhaps *less* energy? Could this pave the way for industry to move into your area? Electrical infrastructure? Usage limitations in the future, should the energy supply diminish? The implications are countless. Be aware, be very aware.

Maybe it's just the kid in me, but I tend to not want to do things just because everyone else does. (Would *you* jump off a bridge... ?) Or, maybe it's the recent ComEd rate hikes that the government forced (yes, *forced*) through — despite much public outcry — when times are already tough enough. Yep, you could say I'm feeling a little rebellious when it comes to municipal aggregation. I want to understand all of the options. I want to know the suppliers. I want to have **choice**. And I can, through [Power2Switch](#).

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## 2 COMMENTS

1.



[David Clements](#) on February 13, 2012 at 3:51 am writes...

I recently became a Viridian Associate in downstate Illinois which is not "on line" with Ameren yet. However, my community is considering aggregation. Viridian prohibits door to door, cold calling and other sales techniques that negatively reflect on the industry. As an Associate, this is my business and am concerned that my community is actually going to shut me out of a high percentage of my potential accounts. I feel that aggregation is a step back from deregulation and will reduce the consumers ability to pick the appropriate service for themselves.

Dave Clements  
 Macomb, IL

2.



*Tracy Haley on April 30, 2012 at 10:09 am writes...*

Your coment on # 3 is very unsettling with me. Are you calling Mary kay, Avon, Amway, Pampered Chef, Shaklee Corp, Ignite Inc. Primerica, Inc,Tupperware Brands Corp.Ambit Energy, L.P Scames well I'm here to tell you My Mom sold Tuberware as a kid, this income helped for our family vaction. secondly my best friends wife and daughter sell Mary Kay products and a hunting buddy of mine sells Amway products and he's doing quite well and for he's a pilot for a manger airlines. You just called these companys pyramid scams the ones I just spoke of earned 14.7 Billion dollars amd were # 7,6 and 2 0n the Direst selling news top 100 of 2011, by the way Ambit energy went from 31 to 15th in one year. Companys like these provide jobs and income to familys that could us them. Info from web page [http://directsellingnews.com/index.php/view/2011\\_dsn\\_global\\_100](http://directsellingnews.com/index.php/view/2011_dsn_global_100) You should be ashamed of your selfs for people trying to make a difference positivly in there lifes and of there famliys

Tracy

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