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THE GOOD, THE BAD, AND THE UGLY OF MUNICIPAL ELECTRICITY AGGREGATION IN ILLINOIS

Posted March 20, 2012 by Alexa



I wrote a rather compelling missive (if I do say so myself) about [municipal aggregation](#) a while back, but much has happened since and an update is in high order. Indeed, today is the day that countless communities outside of Chicago will be voting on a referendum: Whether to permit electricity aggregation within their respective villages. Once the vote results start rolling in, many of you who are paying attention will immediately head to the

WWW (no, not wrestling — well, maybe a *little*) to find out what this is really all about; hence this post.

I'LL SEE YOUR SWITCH, AND RAISE YOU AN AGGREGATION

Before we begin... ah, what exactly is municipal electricity aggregation, you may be wondering? Of course, anything with that long of a title must involve the government in some fashion. That part we get. To clarify, municipal aggregation is when a community bands together all of its residents and agrees to purchase electricity supply as a group, with the hope of achieving a lower rate than if the individual were to buy it on their own. Think "Groupon for electricity." It's a pretty straightforward concept, though the execution of it could prove to be rather complex.

THE GOODIES

I'll start with the "good" aspects of municipal aggregation, because I like to end things on a more pragmatic note. (Hey, we can't all be optimists.)

So, here's the lowdown: First, read about deregulation [here](#), if you need a quick primer on that. (That's a whole other little wild animal.) As a result of deregulation, if you're a current ComEd customer (and don't have space heat), you will likely see a notable decrease in your electricity bill as part of a municipal aggregation. Here's why: ComEd's standard [supply rate](#) is 7.73¢/kWh, and alternative suppliers can offer a much lower rate right now. As an individual, you can obtain rates at or below 6.00¢ /kWh (depending on length of plan and if you choose renewable energy). I know many of you love to hate ComEd and automatically presume that they're trying to rob you blind, but

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in the case of electricity supply, they simply made a regrettable business decision. (I won't comment on the distribution side of their business, however.) Every business makes mistakes at one point or another; a while back ComEd bought blocks of electricity at a high price, whereas alternative suppliers can buy freely at today's rates. To borrow from [Crain's](#): "ComEd power prices are well above wholesale market prices for electricity due to long-term contracts with power generators that were signed when those energy costs were significantly higher. Those costs will fall as the high-priced contracts expire, but the savings opportunities are large for the next 15 months."

Since ComEd merely passes the cost of supplying electricity along to its customers (they do not profit from it), current ComEd customers are paying the price, literally and figuratively. The biggest perk of about municipal aggregation is that you no longer have to suffer the consequences of ComEd's mistake. (They've since changed how they buy electricity. Go figure.) In any case, municipal aggregation enables you to switch to another supplier and achieve a much lower rate for your electricity supply. That, of course, is a good thing.

Another positive about municipal aggregation is simply that many of you are now becoming aware that you in fact can switch from ComEd to another supplier. This is huge! Despite the fact that deregulation has been around for over ten years, it is only recently that residential customers are able to take advantage. Not only do you have a choice of who supplies your electricity, but you also have the potential to save some cash by switching. Believe it or not, very few people are aware that they can switch! (Now go tell your friends, please.)

Lastly, a really great byproduct of municipal aggregation is that you are likely becoming more aware of your energy usage and the process by which electricity arrives at your home. (Right??) It's a confusing topic and every little bit of understanding that results from this practice is a very good thing. We all need to better understand how we use energy, where our money is going, and how to influence both of those in whatever manner we can. Municipal aggregation is bringing the issue of deregulation in Illinois — and the ability to choose your supplier — to the very forefront. Ever since I switched my electricity supplier a while back, I now know exactly how much electricity I use each month, how much I pay for the supply and the distribution portions, and the steps I can take to lower my bill — even beyond switching my supplier. (If you'd would like to learn other ways to lower your bill, too, shoot us an email at info@power2switch.com.)

BAD TO THE BONE

The whole point of switching electricity suppliers is to save money. (Or, for some, to lessen ComEd's totalitarian-like reign over our electricity consumption.) That is the ultimate goal, is it not? The fact is, the longer you wait to switch, the less you can save. And this has nothing to do with the rate you will be receiving through your municipality. The real savings are in fact inherent in the switch from ComEd.

Let's do the math together:

Suppose you use 800kwh of electricity in April. At ComEd's current supply rate of 7.73¢, you would have paid \$61.84 in electricity supply charges. If you had switched to an alternative supplier offering a rate of 5.9¢, you would have paid \$47.20. That's a savings of \$14.64. Now, suppose your municipality decides to aggregate. Based on previous history, aggregations have taken a minimum of six months, and even that may be somewhat ambitious. (Remember, the government is involved. ☹) Just to give you some perspective, Oak Park was one of the first municipalities to aggregate. It took an entire year before residents were actually switched to a new supplier. Hopefully they've sped up the process a bit, but I can't speculate. (I'll leave that to you.)

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In any case, many municipalities are planning to have their switches take effect sometime between June and August. Let's suppose you wait until June and then switch your electricity through your municipality. Even if your municipality achieved a rate of, say, 5.43¢/kWh (the lowest I could find from previous aggregations, so I'm being generous – your rate may be higher or lower), it would take you a full year before your aggregated rate would begin to match the savings you could have achieved if you had switched on your own right now. In other words, at the one-year mark of your aggregated plan (based on an average use of 800 kWh), you would have saved a monumental \$1.50 — one dollar and fifty cents, yes — more than if you switch suppliers on your own right now. At the two-year mark of your plan, you would have saved \$58 more through aggregation. (That's \$552 and \$494 of savings over ComEd, respectively.) Woo hoo! Someone, please remind me why the municipality is even involved in this? Why are they going to all of this trouble?? How is this at all helpful to your community? I am still trying to determine the benefit of their time and money and effort spent on this process. Surely there must be a taxpayer cost that is not being factored in the wonderful "savings" achieved through municipal aggregation. I do hope that question is being asked of your municipalities.

Did I mention renewable energy? How does this factor into the equation? Are you even aware that you can choose a green option when switching your electricity supplier. Does your municipality care about green, too? Your kids really want to know.

U-G-L-Y, YOU AIN'T GOT NO ALIBI...

Here's another not-so-great (read: ugly) result of municipal aggregation: When large masses of people aggregate and switch at roughly the same time, they are in effect undoing the benefit of deregulation. That benefit, of course, is achieving lower rates through competition. Interesting how the price of electricity has been decreasing steadily since alternative suppliers came into the market. Sadly though, of the twenty communities that have already aggregated, 19 of those were divided among three primary suppliers. Please tell me, how exactly does this promote competition?? We might as well all stay with ComEd and return to its pre-deregulation monopoly. The full benefit of deregulation is potentially yet to be seen and municipal aggregation might halt that progress entirely. Please consider that as you cast your vote.

Over 200 municipalities are poised to alter the direction of competition in the electricity marketplace. That equates to 40% of ComEd's current customer base of 3.4M households. That's a whopping 1.36M customers who will be switching over with you in the course of a few months — if all of the municipalities approve the referendum. Now THAT should be rather interesting to watch.

In parting, I'd just like to make one small request: Even if your municipality votes "Yes" on this referendum, kindly don't allow the dollar signs in your eyes to blind you. Do your own research to ensure that you are indeed receiving the best rate and plan out there. You can still opt out of your aggregation. Or, you can simply trust your local government... :)

Check out my previous post on this topic:
[Municipal Aggregation in Illinois: 5 Things You Should Not Ignore](#)

ONE COMMENT



1. *JoeMarch 21, 2012 at 8:53 pm*

There are a number of reasons why folks should have voted NO on this. First, history proves the cities that have aggregated are not saving much, and some are paying MORE. People should have their own choice to buy their products and services. They sold this really well comparing it to "buying bulk at Costco" and the like, but if that's true, then why have the cities that are already doing this providing average-awful rates to its residents? FACT: my brother lives in Batavia and they have their residents locked into an awful rate, over 8 cents/kwh to be specific. I called the City to ask if its possible to switch and they said no. Now that there's healthy competition in the free market, consumers can go to alternative suppliers such as North American Power, Ambit, IGS, etc and get a rate of just 5.99 on their own, and they didn't need a government mandate or a bulk purchase to make that happen. Free markets make that low rate happen.

The most recent suburb that I know of to aggregate their electricity to try and get their residents a better deal was Oak Park. With their collective buying power, they secured a decent rate... I think it was around 5.89 or something, but that's still very close to the 5.99 you can get today on your own from most of the alternate suppliers.

So if you ask me, passing this just makes Government bigger, reduces our personal freedom of choices, and now the monopoly that was once controlled by the utility is owned by the Government.

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