How to Split Your Electricity Accounts To Maximize Your Savings

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Let's say you are handling multiple electricity accounts, as either a large customer or an aggregation group. Just because you are now able to buy from a non-utility power supplier does not mean you should do so for **all** your accounts. For some of your accounts, your utility may still be able to provide better pricing.

But how can you determine which accounts to leave with your utility and which to offer to energy marketers? Two basic steps are involved: obtaining hourly load profile data for your accounts, and requesting separate pricing for each account instead of accepting a lumped price for all accounts.

LOAD PROFILING

A load profile is the shape of a load vs. time curve over a defined period (e.g., year, month, or day). When examined over a 24-hour period, most hourly profiles for commercial and institutional facilities have a bump in the middle of the day, and taper off during early morning and late evening hours. Industrial load shapes tend to be flatter since a large portion of such loads are related to equipment operation rather than weather or occupancy.

Depending on the shape of that curve, the cost to the utility to supply you with power could be either higher or lower than for other customers in your same utility rate class. Such utility rates (e.g., large commercial) are based on **averages** of many load profiles for customers within a given class. Unless a marketer has data that shows your profile differs significantly from the utility average for your class, he must use the standard profile for that class. As a result, he may be unable to offer

a much better price than the utility.

However, some HVAC systems (e.g., gas-fired chillers, thermal storage) or long operating schedules (e.g., hospitals, data centers) tend to flatten an individual property's profile. If your facility has such characteristics, pricing power using a typical utility profile could yield an unnecessarily higher energy price. Hourly metering data is essential to develop a more precise profile. If such information is being collected by either utility metering or through your own energy management system, get that data to your marketer instead of forcing him to assume that your profile is like others in your rate class. If your existing meter cannot provide such data, consider adding a more sophisticated meter that can supply hourly (or shorter interval) data, or pay your utility to upgrade its meter to supply such data. Note that the cost-effectiveness for such better metering and data collection varies with your peak load and may be marginal below 100 kW. California presently requires such metering down to only 20 kW for customers buying power from a marketer.

On the other hand, your profile may be worse than that of others in your class. Inefficient air conditioning, high summer occupancy (e.g., a beachfront restaurant), and other factors may combine to yield a poor profile. In such cases, a marketer's price could be even higher than the utility's standard rate.

RATES: UTILITY TARIFF VS. MARKET-BASED PRICING

To see if your profile is better/worse than that of others in your class, provide the load profile data to all bidders and request separate marketer pricing for each account, rather than for all accounts lumped together. **Yes, that means more work on your part, but the savings could be substantial.** Compare those prices against the tariff pricing for your rate class. If the tariff price is lower, leave those accounts with the utility. Those accounts are, in effect, being subsidized by customers in your rate class who have better-than-average profiles but are not buying their power from a marketer. Good marketers will show you which accounts should be left with a utility, or may simply refuse to serve your worst loads.

Unregulated subsidiaries of some utilities, however, may not mention that differential, choosing instead to charge you a lumped average price for all your accounts. Why would they do that? Maybe because do-

ing so actually increases total revenue for the holding company that includes both the regulated utility and the unregulated subsidiary. When previously supplied by the utility, the tariff limited the energy price that could be charged to accounts with poor profiles. If an unregulated utility subsidiary is now bidding for a group of accounts, it may quote an overall price that is, on average, lower than if all accounts had been served by the utility, and charge a higher (but hidden) price for those individual accounts with poor profiles. When all accounts are lumped together, you won't see that difference. Unless you obtain and compare the quoted price of each account against the tariff, you may not realize that you are being charged an above-tariff price for some accounts. Cases exist where this has occurred under deregulation. Note the boxed example (prices reflect only the energy component of the electric rate).

Three of the five accounts can be served at a lower cost by a marketer, while two can be served at a lower cost by the utility. When lumped together, however, the weighted average price from a marketer is below the lumped price if all continued to be served by the utility. A typical customer may look no further than the 7.7% savings and take the deal. A smarter customer would look at the individual prices for each

EXAMPLE (Pricing is for energy only)

Acct #	*tariff*	*market*
0001	\$.044	\$.040
0002	\$.049	\$.051
0003	\$.069	\$.063
0004	\$.046	\$.042
0005	\$.052	\$.055
weighted average	\$.052	\$.048

savings: weighted average = 7.7%
savings: separate accounts = 9.3%

RATES: BUNDLED VS. MARKET—To see if your profile is better/worse than that of others in your class, request pricing for each account, *not* for all your accounts together. Those with poor profiles will show higher rates, allowing you to gather only the best accounts to bid out.

account, leave Acct. Nos. 0002 and 0005 with the utility, and contract out the other three.

The net result is a 9.3% savings, which puts 20% more cash in his pocket. In one documented case, the difference was much greater: a utility subsidiary offered a 4% savings, but careful load profiling and account differentiation resulted in a marketer offering an overall 13% savings for the same accounts.

(This article originally appeared as a "Tip Of The Month" in Mr. Audin's website-www.energybuyer.org-and is one of many available, at no charge.)

ABOUT THE AUTHOR

Before launching Energywiz in November 1966, **Lindsay Audin** spend eight years as the energy manager for Columbia University and its medical research facilities. While there, he reduced Columbia's energy bills by more than $3 million a year.

Prior to this, he spent nine years as the head of Department Energy Studies and Surveys at Goldman Copeland Associates (a private engineering consulting firm in New York City.) He has over 20 years' experience in the energy industry.

In 1992, Audin founded the New York Energy Buyers Forum—a nonprofit organization of energy users in the New York metropolitan area working for lower energy rates.

Audin has been named "Energy Manager of the Year" four times: by the Association of Professional Energy Managers (APEM), by the New York Association of Energy Engineers, and by the national Association of Energy Engineers (AEE). His work at Columbia also won him (in 1994) the EPA Greenlights Achievement Award for Public Education on Energy Efficient Lighting and (in 1996) the EPA University Partner of the Year Award.

In 1996 he was inducted into the "Energy Manager's Hall of Fame" by the Association of Energy Engineers (AEE)—the highest level of recognition in this field.

Mr. Audin is an editorial advisor for *Strategic Planning for Energy and the Environment* (sister publication to *CCPJ*).