

10 Things You May Not Know About Buying Electricity in Deregulated Markets

1. Switching electricity suppliers is a simple process.

Switching your electricity accounts to an Energy Service Company (ESCO) is a simple and straightforward process. Once you sign an agreement, the ESCO is responsible for coordinating the transition with the utility. The ESCO will use your electricity account information to ensure your accounts are enrolled in a timely manner.

2. The reliability of your electricity service will not change if your company switches from the utility.

The reliability of your electric service will not be affected by switching to an ESCO. The utility is still responsible for the lines and wires that deliver the electricity to your facility. There will be no difference in the power quality or reliability of your electric service.

3. You can always return to your utility's service.

When an agreement is signed with an ESCO, the customer is committed for the term of the contract. However, after the contract term has expired, customers can re-sign their agreement with the ESCO, switch to another ESCO or return to the utility.

4. Switching to an ESCO can help your business gain control over your electricity expenses.

Many companies feel that they have no control over their electricity usage. However, working with a full-service ESCO can be the first step in developing a comprehensive energy strategy. A full-service ESCO can provide tools that can show you how and where your electricity is being used and identify ways to save you money and use your electricity more efficiently.

5. There are financial incentives to switch to an ESCO.

In the state of New York, businesses that switch to an ESCO are eligible for incentive credits on their bill depending on the rate class and utility. Additionally, customers who receive electricity from an ESCO do not pay sales tax on delivery charges. This can amount to a savings of up to 4% off the total electricity bill.

6. Aggregating your electricity demands with other businesses may not be the best course of action when buying electricity from an ESCO.

One of the benefits of electricity competition is that businesses typically get customized quotations based on the rate class, usage patterns and peak demand. Utility prices are based on a "one-size-fits-all" rate for each rate class. Inevitably, those businesses with better load profiles end up subsidizing those with worse load profiles. Unless the aggregation is extremely large (such as a group of 50,000 homes) it is in a business' best interest to seek customized pricing from an ESCO.

7. In an emergency, the utility will still respond in restoring power to your facility.

Your utility's response in an emergency will not be affected by switching electricity suppliers. The utility is required to provide your business with the same level of service, regardless of your electricity supply choice.

8. ESCOs can offer a variety of different service options to customers.

Some ESCOs specialize in serving residential customers and some specialize in serving Commercial and Industrial customers. ESCOs also offer different ways to purchase electricity. Some offer electricity in a manner that is similar to buying a mortgage - with a fixed rate or variable rate. Others offer more sophisticated ways to procure electricity. Some ESCOs also bundle other services such as energy information tracking and even electricity from renewable power sources such as solar or wind power. Payment options and customer care also vary among suppliers.

9. When comparing electricity prices, don't compare the price an ESCO gives with what your business has paid in the past.

In New York, the price for electricity varies each day with market conditions. Just as there is a market price for oil and natural gas - there is a market price for electricity. There are many factors that affect the market price of electricity. These factors include: weather, natural gas prices, world events, and demand. Since the offer you get from an ESCO reflects current market prices, comparing with historical prices is useful only as an indicator of general market trends.

10. Purchasing renewable ("green") power is a viable option for businesses.

For each kilowatt-hour of electricity produced from renewable electricity sources, businesses can prevent approximately one pound of CO₂ from going into the environment. A large grocery store could avoid putting over one million pounds of CO₂ into the atmosphere each year by purchasing one third of its electricity requirements from wind, solar or other renewable power sources. Prices for renewable power have steadily decreased over the years to the point where buying power from renewable sources is a viable alternative for businesses.