The Energy and Technology Committee

February 24, 2009

Raised Bill No. 6512, AAC THE ELECTRIC CONTRACT PROCUREMENT PROCESS

Testimony of

The Office of Consumer Counsel

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The Office of Consumer Counsel (OCC) has carefully reviewed and SUPPORTS Raised Bill No. 6512, AAC THE ELECTRIC CONTRACT PROCUREMENT PROCESS. This bill would give the electric distribution companies, a/k/a utilities (CL&P and UI) additional tools in procuring power for standard service, the utility generation service option used by the overwhelming majority of residential and small business customers. Today, the utilities can only contract with suppliers for a maximum of three years. This bill would allow greater flexibility for the utilities, with the approval of DPUC, to incorporate long-term contracts into the standard service procurement portfolio. This should provide both lower and more stable prices for customers.

The bidders into the standard service procurement processes today tend to be aggregators (businesses that buy and sell the output of several plants) rather than the plant owners themselves. The long-term contracting allowed by this bill could "cut out the middleman" and lead to direct contracting between the utility and the power plant owner. The cost savings of not having to deal with the middleman/aggregator's markup would then be passed on to customers.

In addition to long-term contracting, the bill would also allow the utilities, again with the oversight of DPUC and with OCC input, to enter into physical and financial hedges to stabilize the price of standard service. Residential and small business customers need predictable power prices that are as low as possible.

This bill fits together well with Raised Bill No. 6507, which proposes to end "electricity shopping" for residential and small business customers. If the utilities make long-term arrangements and/or hedges to stabilize prices for all residential and small business customers, then all of such customers should receive the benefits of these arrangements and all such customers should pay for them. The utilities should be able to negotiate a better price for long term contracts and/or hedges if they are buying for the entire class of residential and small business customers, as the counterparty will no longer face an egress risk. Those savings should outweigh any minimal, temporary savings that might have been realized from switching to a competitive supplier.