



As electric rates go up, customers have options

Written by Gerry Tuoti, Patriot Statehouse Bureau

While the vast majority of electric customers in Massachusetts don't shop around for the best deal, that might change as significantly higher rates go into effect.

"Massachusetts is one of a fairly large number of states that has deregulated energy markets," said Ann Berwick, director of the state Department of Public Utilities. "Prior to 1997, electric utilities owned both the distribution functions – the poles and wires – and the supply function – generation."

The utility companies, such as National Grid and NStar, are now only responsible for delivering the power to their customers, but not generating it. That means customers are free to choose between dozens of licensed suppliers. National Grid serves Nantucket, while NStar serves the Cape and Martha's Vineyard.

About 90 percent of the state's residential customers, however, opt to go with basic service through the utility company that serves their area, Berwick said. To provide electricity to its basic service customers, utilities such as National Grid and NStar solicit competitive bids from wholesale electricity suppliers. They then purchase power from the suppliers on behalf of the basic service customers, then deliver the electricity to their customers' homes and businesses.

When customers choose to purchase electricity directly from a licensed supplier, they sign a contract with that supplier, then the utility company still delivers the power.

"At least in the past, it may not have been worth shopping around to see if you could save \$10," Berwick said. "And you're going to take a risk. You might save \$10 this year, and spend \$10 more next year. ... Now that may be changing with what we're seeing happening to electric rates."

National Grid recently announced its electric rates are increasing an average of 37 percent because of volatility in the price of natural gas in New England, and other utilities are expected to enact similar rate increases. National Grid said the rate hikes will not increase its bottom line.

"If you break your electric bill into two sections, the supply section and the delivery section, the supply is the cost of electricity you're using," National Grid spokesman Jake Navarro said. "For National Grid, that's not what we make money on. We go out and purchase electricity, then push it on to our customers without marking it up to them. The costs of our supply have really gone up for this winter in New England."

The delivery section of the bill is where utilities like National Grid, which own the poles and wires, make a profit.

When customers look at their bills, Navarro said they can expect to see the effects of the increased rates almost entirely in the supply section, not the delivery.

A list of licensed competitive suppliers and electricity brokers is available from each utility company or on the state Department of Energy and Environmental Affairs website at www.mass.gov/eea.

"If you get a competitive supplier, we don't lose any business from that, and we still maintain the

delivery side of the bill,” Navarro said.

Berwick recommends that customers do their due diligence before deciding to switch suppliers. It is important to know all the terms of the contract, whether it’s subject to minimum bill amounts, whether energy prices are fixed or variable and whether there are contract length requirements or early termination fees.

Lists of licensed suppliers are available here:

- <http://1.usa.gov/1sg3JIW>
- <http://bit.ly/ZSd7bh>

While the DPU licenses suppliers, it doesn’t regulate all aspects of the business.

“All of the generation piece is a market, and those are market functions,” Berwick said. “That was the whole idea of restructuring, that if you subject the generation piece to market forces, it would be cheaper. All the New England states aside from Vermont are deregulated states.”