

Bargain Shopping for Energy

We are used to bargain shopping for everything from a loaf of bread to a new car. When it comes to our gas and electricity service, however, consumers were long limited to a single choice in their geographic area, at whatever price the supplier offered. That changed with the advent of retail utility choice.

Retail utility choice refers to the ability of consumers to choose their gas or electricity supplier for themselves. As of late 2019, 29 states offered some form of utility choice to consumers.

WHAT IT IS

Retail energy choice, also known as utility deregulation, began being offered by states in the late 1990s, following the passage of the Energy Policy Act of 1992 and efforts to separate energy producers from suppliers. The goal, according



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to the National Renewable Energy Laboratory, was to increase competition, lower prices, improve service and allow more innovative product offerings.

Consumers may choose their providers directly. Alternatively, through a process known as aggregation, a county or municipality may purchase power on behalf of its citizens through a long-term contract, and citizens can either opt in or opt out of buying that power.

EFFECTS

The NREL reports that states with retail choice have seen wide price fluctuations, casting into question the price benefits of choice. The American Public Power Association reports that states with deregulation have seen rates higher than the national average every year since 1997.

This may be partly due to the fact that customers are willing to pay more for green energy. Suppliers have sought

out renewable energy offerings to draw customers in a competitive environment. In fact, some estimates have shown customers with retail choice purchasing about 20% of green power sold in the U.S. The U.S Department of Energy reports that at least 50% of customers have the option to purchase renewable electricity directly from their power supplier. Rates are typically higher in order to cover the added costs of renewable power.

CONSIDERATIONS

When you sign up for new utility service in an area with retail choice, you might be asked to choose your energy provider. This could be the supplier (the company that owns the power lines or pipes that deliver power and bills you each month), or another company. If you have existing utility service, you might get a knock on your door from a sales agent of an energy supplier offering you lower rates than your current provider in exchange for signing a contract, typically a year. Agents also sometimes set up tables at shopping malls or inside retail businesses to reach customers.

Sometimes suppliers will offer a reward for signing up as a customer, such as a gift card. Don't be taken in by a small incentive. Do your homework and compare the offer to your current rates. In addition to the price per kilowatt hour (kWh), there are other considerations to make before you sign a contract. Consider whether the company charges any monthly or other service fees, what the length of the contract is, whether the rate is variable or fixed, whether you can choose a renewable energy source, and what happens at the end of the term, including any cancellation fees.



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REAL ESTATE 101



Your Choice

To find out if your state has retail energy choice, access consumer resources and connect with suppliers, visit the American Coalition of Competitive Energy suppliers website at bit.ly/3aATBnc. The organization also offers help analyzing energy rate offers at bit.ly/2KupK5u.

HOMEWISSE GLOSSARY

Refinance rate: When referring to title insurance, the refinance rate is the reduced rate for a loan policy issued on the new loan in a refinance transaction, in which the original loan was previously insured within some period of years.

SOURCE: Homeclosing101.org

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