ENERGY UTILITIES

Choice savings

Am. Econ. J. Appl. Econ. <https://www.aeaweb.org/articles?id=10.1257/app.20180256> (2019).

Community choice aggregation is a policy mechanism in the US that allows communities to band together into an energy purchasing group and then buy electricity from a utility of their choosing outside of state level dictates. By reducing prices, aggregation has the potential to increase energy consumption, however, the evidence for long term impact on consumption is scant. Now, Tatyana Deryugina and colleagues at the National Bureau of Economic Research find that electricity demand continues to be largely inelastic even two years after aggregation and price change, though the demand is higher at that point than at one year after aggregation.

The researchers use data from 768 communities in Illinois from 2007–2014, 289 of which opted to aggregate. The researchers matched each aggregating community with three different communities not aggregating, using their consumption and price patterns. These non-aggregating matched communities served as controls. The prices in aggregation communities dropped by about 24% within 10 months compared to the controls and continued to be at least 10% lower throughout the observed two year period. After around a year, usage increased by about 6% percent in aggregating communities, with the difference in usage between aggregating and control communities stabilizing at 4% over two years. The researchers' further modelling suggested that usage may take as much as 10 years to fully reflect the reduction in prices.

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