

Value of Real-Time Information In Energy Marketing

Case Study of Richards Energy Group, Landisville, PA

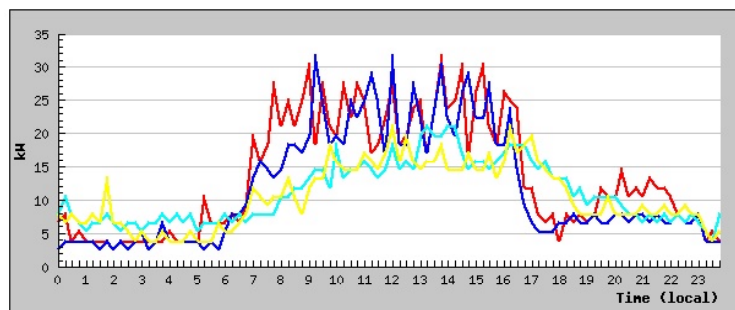
Richards Energy Group, Inc. is one of the largest independent electric energy aggregators / power marketers in "deregulated" Pennsylvania where, compared to the default rate, customer choice is now saving many companies 5-20% of their total electric bills.

Except for very large accounts, power marketers do not have access to any interval data, much less real-time customer information. Their bids are based only on historical monthly demand and usage, often using "average" profiles for various rate classes. As a result, many contracts are made which reflect data that is several months out of date and may not fit the customer. Because of this poor fit, a power marketer hopes to get many different loads, which will actually add up to the profile he uses. Nor can the marketer be active to adjust supply in the day ahead or hourly market, as there is no data to support his real-time decisions. Even with a sharp pencil, a one size fits all marketer has little market efficiency.

Consequently, power marketers have notoriously short-term relationships with their customers. If a competitor can beat your price by a fraction of a mill, your customer is gone. In a price driven market, only price sells.

Richards Energy has a different approach. They connect customers to their WRIM system (Wireless, Real-time, Internet Metering System). The company serves

businesses in Lancaster, Harrisburg, Reading, Allentown, and York, PA and is moving into other cities as well. WRIM, provided by Advanced AMR Technologies, saves money at least three ways.

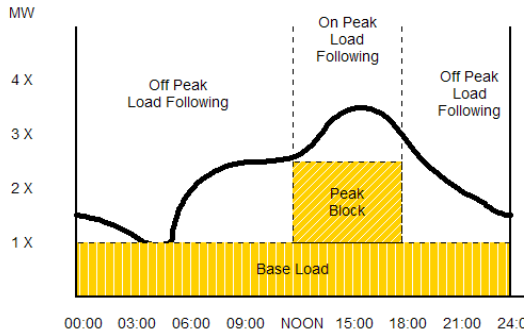


1. Make accurate wholesale bids. WRIM provides detailed interval data for Richards' database. Wholesale suppliers and generators can be given access to this data in real-time, allowing them to offer more accurate bids based on more accurate consumption data.

According to Frank Richards, President of Richards Energy, "Power consumers with high load factors will definitely get better pricing from suppliers if interval data is provided. This better information can shave perhaps 2 mills from the price of each kWh consumed over the entire term of the contract. This is the difference from say 4.8 cents/kwh to 4.6 cents/kwh, enough to make or break a deal. It boils down to the fact that the better the data, the better the deal, since it lowers the supplier's risk. And additional price improvement may result when interval data can be provided not only historically, but also in real-time, which will reduce the supplier's risk further."

2. Combine fixed and variable contracts.

Richards Energy Group presently uses fixed-price “full-requirements” contracts.



With WRIM, Richards can move toward purchasing a 24 X 7 block of load as a base, and meeting the aggregation’s full requirements by purchases on the spot or day-ahead market...with WRIM data, only the power actually being consumed by the aggregation needs to be purchased. Knowing what the customers are actually using reduces the cost of uncertainty.



3. Let customers analyze and manage load.

WRIM gives both Frank and his clients’ valuable information for managing energy. A client can see his/her consumption on the Internet every 15 minutes. Demand charges are applied all along the supply chain by generation, transmission, and distribution. With WRIM, customers have the tools to reduce peak load, which is a large component of their monthly cost. Using WRIM, Richards can diversify peaks that occur at different times, reducing the overall peak capacity required and raising the load factor of the entire portfolio.

Customers can also use the data to adopt their own load management and conservation strategies. One Richards customer, a facility with multiple sizable electric services, found that a change to a single primary service would save money, and uses WRIM to submeter and apportion costs. Another customer, a hospital, is seeking to achieve significant savings by pre-cooling chilled water and running backup generation to prevent peak spikes on hot days in the fall and spring shoulder months.

Conclusion: Richards Energy Group has found the value of real-time data, sharing both information and savings with its customers. The value goes beyond monthly savings...WRIM ties customers closely to Richards Energy Group and creates long-term relationships. These relationships help Richards Energy Group maintain old customers, attract new customers, and offer a broadening spectrum of energy cost-saving products and services.

*For more information contact Gerald Mimno,
General Manager, AdvancedAMR Technologies:*

- Telephone 978-826-7660
- GMimno@AdvancedAMR.com
- Web: advancedamr.com