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Competitive Procurement – The Lowest Cost Market Solution

Market-based mechanisms provide the most efficient, reliable and cost-effective supply for consumers. At the wholesale market level this is primarily done by relying on the electricity markets administered by the Independent System Operator of New England (ISO-NE). If, however, a state makes a public policy decision to go outside of the regional market process to secure energy supply or generation capacity, a competitive solicitation should be used.

How it Works

Competitive procurement is a process in which electricity suppliers are permitted to bid on an equal basis to win the right to supply electricity and/or build new power generation facilities. The procurement works to ensure that a competitive market solution continues to provide a resource, at the best price and lowest risk to consumers. There are numerous resources to develop a sound process, but the mechanics used in the electricity industry are best laid out in [“Getting the Best Deal for Electric Utility Customers,”](#) a guidebook developed by the Electric Power Supply Association.

Competitive Procurement Is Used Across the Economy

The use of a marketplace to supply goods and services is used in every industry and at every level of commerce. Competitive procurement is mandated by every state for purchases using taxpayer dollars over a nominal amount. For example, government agencies at the state and local level generally must use a competitive solicitation for goods over \$50,000. If \$50,000 worth of pencils must be purchased competitively, why shouldn't a multi-billion dollar power plant have to meet the same straightforward standard?

Conclusion

All New England states have utilized competitive procurement processes for meeting either supply or generation needs. These processes have clearly shown that the use of competitive procurement has delivered the lowest-cost, best-fit resource for consumers. The case for competitive procurement is compelling – allow the time-tested market structures used for the purchase of all other necessary commodities to also work for electricity consumers. If the process is conducted in a fair, open manner, the consumer will get the best deal.