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COMPETITIVE ENERGY SUPPLIERS: WHAT CONSUMERS NEED TO KNOW

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Competitive Energy Suppliers

What Are They?

- About 17 states have adopted laws or regulations allowing retail energy competition (“deregulation”)
 - NE: RI, MA, CT, NH, ME
 - NY, NJ
 - Mid-Atlantic: DE, PA, MD, DC
 - Mid-West: OH, IL, MI
 - South: TX, KY (gas), GA (gas),
- Suppliers are companies that market and sell electricity or gas supply to retail gas and electric customers in those states
 - Brokers are sometimes referred to as suppliers, but they only work with customers to connect them with suppliers
- Suppliers are NOT regulated utility companies

If you do NOT live in a retail competition state, you don't need to pay attention to any more of this presentation

Essentials for the rest of you...

- Regulation of suppliers varies from state to state
- Fundamental rules
 - You do not need to switch to a supplier (except in Texas)
 - You can continue to purchase your gas or electricity supply from your local utility OR choose a supplier
 - Your local utility will continue to deliver your electricity or gas
 - Regulation of the services and rates for local utility service remains the same
- Interested in finding out more about suppliers?
 - Check out the websites of your state commission or consumer advocate office for information:
 - www.naruc.org
 - www.nasuca.org
 - Sample: Check out MD OPC's Information at <http://www.opc.state.md.us/ConsumerCorner/RetailSuppliers.aspx>
 - REMEMBER: Your state has different rules

Essentials for the rest of you...

- General Rules
 - The suppliers must be licensed or registered with the state Public Service Commission
 - They are subject to oversight but they are not regulated like utilities
 - In general there are rules for supplier marketing and contracting
 - PSC laws and regulations
 - State Consumer Protection Laws may apply in some states
 - The PSC does NOT regulate the price or rate charged by suppliers
 - BUT: Suppliers cannot be misleading or deceptive about the price term
 - You can file complaints or disputes about energy suppliers
 - Public Service Commission
 - Office of Attorney General (in some states)

If you remember nothing else...

- **ONLY SAY YES WHEN AND IF YOU WANT TO**
 - You do not need to switch (Texas is an exception)
- **DO NOT SHOW ANYONE YOUR BILL OR ACCOUNT NUMBER UNTIL YOU ARE READY TO SWITCH TO A SUPPLIER**
 - You can be slammed if someone gets your number
 - Slammed: signed up without your permission
- **TAKE YOUR TIME**
 - Read the terms – you will be held responsible
 - Ask questions if you don't understand
 - Ask yourself: Do the terms match what is said to you by an agent?
 - Don't sign or say yes if you don't understand
- **ALWAYS INSIST: YOU SIGN AND RECEIVE A COPY OF YOUR WRITTEN CONTRACT**
 - This is proof of the terms of your contract
 - Non-English speakers: Do not sign a contract written in English
- **KEEP THE CONTRACT WITH YOUR IMPORTANT PAPERS**
- **IF YOU BELIEVE THAT YOU WERE SLAMMED, OR HAVE A DISPUTE BECAUSE OF DECEPTIVE MARKETING, CONTACT YOUR PSC AND LET THEM KNOW**

Typical Contracting Methods

Direct mail

Telephone solicitation

Door to door marketing

Kiosks

Internet

“Warm marketing”

Solicitation at your home

- Many suppliers use door-to-door solicitors
 - Most are independent representatives and paid on commission
 - IRs are trying to sell a product or service; they are not experienced with energy issues
- Remember: You do not have to answer the door
- Check the name, logo and ID of any solicitor
 - Your local utility will NOT come to your door to check your bill or account number or to offer you a lower price
 - Shut the door if someone says “I work for/with your utility and I can offer you a lower price” – This is deceptive
- Understand what you are agreeing to
 - Ask for the written contract – Take your time to read it
 - Do not sign it if you do not understand it or it contradicts what the solicitor has said to you
 - 3-day right to cancel contract available in some states
 - The written words matter – not the oral representations

Telephone Solicitation

- Many suppliers use telemarketing
 - Recommendation: Do not sign up with a supplier through a telemarketer
 - Rules vary substantially from state to state
 - Many states permit suppliers to “enroll” you by agreement over the phone
 - Enrollment: This is another word for contract
 - Typical Process: The telemarketer reads a script and gets “yes” answers from you on a recording, with your utility account number. You will be sent written information after you are switched
 - TPVs: Many states require third-party verification
 - This is simply to get an audio recording that you “agree” to switch
 - TIP: Don’t answer yes or no; answer in a complete sentence
 - MD is a state that requires the supplier to send a written contract and get a signature for “cold calls”
- Do Not Call Registry
 - If your name is on the registry, get the name of the supplier, hang up and file a complaint with the PSC or the Attorney General

Internet

- Many suppliers have websites and internet enrollment
- The full terms of the agreement should be available and printable
 - Take your time to read the agreement
 - Don't "agree" if the full terms are not on the website
- Your electronic signature is typically acceptable
- "Warm marketing"
 - Typically uses friends and family; schools, religious groups and associations
 - IRs make presentation and frequently refer you to the Internet to sign up
 - Remember: It is the written terms that count

Major Contract Terms

- PRICE
- ADDITIONAL FEES
- CONTRACT TERM
- CANCELLATION FEES
- CANCELLATION PROCESS
- AUTOMATIC CONTRACT RENEWAL
- RENEWABLE ENERGY OFFERS

Price and Fees

- Price
 - This is the rate or unit charge for gas or electricity supply
 - You still pay your local utility for distribution costs, taxes and surcharges
- Types
 - Fixed rate
 - Examples: 9.6¢/kWh - 40¢/therm
 - Variable rate
 - Changes daily or monthly
 - Combination: Teaser rate followed by a variable rate
- Fees or Adders
 - Examples: Account Management fees; administrative fees

Variable Rates are High Risk

- Variable rate contracts have been the source of pain and frustration for consumers in many states
 - 2013-2014 Winter: Polar Vortex – rates were 2 to 5 X the utility rate
 - PSC and Attorney General Investigations
- Recommendation: **DO NOT SIGN THEM UNLESS YOU ARE ABLE TO ABSORB UNLIMITED INCREASES IN THE PRICE**
- Some states have begun to put certain limits on variable rate contracts
 - Check with your local PSC, Consumer Advocate office or Attorney General
 - Connecticut, New Jersey, Pennsylvania (Maryland has a rulemaking)
- Without these limits:
 - Suppliers charge whatever they want
 - No formula, index or restriction on increases in rate
 - You usually will not know the rate in advance
 - It may take time to switch back to your utility or another supplier

Term of Contract

- Term is the length of time that you commit to purchase electricity or gas from the supplier
 - Month to month (variable rates)
 - Fixed: 6 months; 1, 2 or 3 years
 - Combination: Fixed rate for 1, 3 or 6 months followed by month to month variable rate

Renewable Energy

- Many consumers are interested in supporting renewable energy development
 - You will not get “green electrons” delivered to your home
 - Renewable energy is mixed with other resources on the electricity grid
- Many suppliers offer different types of renewable energy
- Common descriptive terms
 - Green
 - Clean
 - Renewable
- Questions:
 - What is the source: solar, wind, other – or a mix?
 - What is the percentage of renewable energy
 - Is it energy supply or a Renewable Energy Certificate (REC)
 - Is it a certified green supplier
- Get the facts – read the contract description and check the supplier website

Cancellation Fees and Process

- Fees

- Almost all fixed term contracts have early termination fees (ETFs)
- Fees can either be fixed, or vary based on the number of months left in the contract
- BE CAREFUL of responding to other offers: You can get into trouble if you switch to another supplier in the middle of the term. The price reduction can be easily offset by the cancellation fee you have to pay to the first supplier

- Process to cancel

- Check your contract terms:
 - Notice to supplier: “Any time” or advance notice (30 or 45 days)
 - Method: Contract may specify telephone; in writing; internet
 - Switch speed: Be prepared – it may take several weeks to a few months to switch to utility supply or another supplier

Automatic Renewal of Contract

“Danger Zone”

- Most supplier contracts have an automatic renewal clause
- Typical requirements:
 - Supplier must notify you in writing in advance
 - This does not apply to variable rate contracts
 - If you do not take action, the contract “rolls over”
 - The contracts usually roll over to a variable rate – HIGH RISK
- What to do
 - Keep your contract with important papers
 - Calendar reminder: 30 days before end of term
 - Remember the name of your supplier
 - Watch your mail – open all mail from supplier
 - Check the renewal notice terms
 - Compare with other supplier offers
 - Avoid variable rate renewals
 - Contact the supplier if you do not want to renew
- What Happens If You “Non-Renew”
 - Return to utility
 - Choose another supplier

Special Concerns

Low-Income and Vulnerable Customers

- Low, moderate and fixed income customers are least able to absorb volatile rate changes
- Contracting with a supplier does not mean no service termination
 - Utilities frequently are the billers for suppliers and purchase their accounts
 - Utilities apply same service termination rules
- With unaffordable high rate contracts, LIHEAP, ratepayer and crisis funds are used to pay the higher bills and arrears
 - Energy assistance dollars are used to pay higher bills and arrears per customer; fewer dollars available for other customers

What Does This All Mean for Agency Providers?

- You see the clients – you see the bills
- Higher than expected bills?
 - Find out if there is an energy supplier
 - Check the bill for the supplier name and the unit rate for gas or electricity
 - If the client does not know she has a supplier, is confused about the terms, claims that she was told she would “save” money, there may be a problem with slamming or deceptive marketing
 - REFER THE CLIENT TO THE SUPPLIER, THE PSC COMPLAINT OFFICE, OR THE CONSUMER ADVOCATE OFFICE
- Why does it matter if bill assistance will cover the bill?
 - Slamming or deception is not good for the clients or the reputable suppliers
 - High bills = more bill assistance \$ per customer = fewer \$s for other household

For More Information

Thank you!

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