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Competitive Energy Suppliers

What Consumers Need to Know

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Introduction

- ◆ Utility service is provided by regulated monopolies: Gas, Electric and Telecommunication companies.
- ◆ Utilities are regulated by local public utility commissions. FERC and the FCC regulate at the national level.
- ◆ Utility Commissioners are mandated to ensure that utility companies provide safe and reliable service at reasonable rates to consumers.

Industry Changes

- ◆ The utility industry over the last 15 years has undergone radical change.
- ◆ Traditional utility companies have evolved using different business models.
- ◆ While electricity and natural gas still come to you over wires and through gas pipelines, the who, what, and how is changing.

What's in Your Electric Bill?

- 💧 **Distribution Cost:** the cost of delivering electricity to a customer's home or premises.
- 💧 **Generation Cost:** the cost of producing energy.
- 💧 **Transmission Cost:** the cost to transport energy from the plants, where it is produced, to the customers' homes or premises.



What's in Your Gas Bill?

- 🔹 **Distribution Cost:** the cost to deliver each therm of purchased gas to consumers' homes.
- 🔹 **Purchased Gas Charge (PGC):** the amount the utility company charges for each therm of gas consumed by the customer.



Electric Regulatory Structure

- ◆ Types of electric companies:
 1. Vertically integrated utilities provide generation, transmission and distribution.
 2. Distribution – only utilities provide distribution service, but purchase electricity from the generation company.
- ◆ Types of gas companies: unbundled service - distribution and commodity cost (purchased gas cost).
- ◆ Deregulated utilities only provide distribution services.
- ◆ In the District of Columbia, energy markets (sales) were deregulated in 1999.

Changes in the District of Columbia's Electric Markets



- ◆ In January and February 2000, the Public Service Commission (“PSC”) gave approval to begin full-scale electricity and natural gas customer choice programs for DC residential consumers.
- ◆ The PSC’s decision enabled consumers to choose or “shop” for their electricity or natural gas energy supplier.

New Energy Suppliers

- ◆ One of the most controversial changes in the District of Columbia's utility markets has been the entrance of Competitive Energy Suppliers ("CES"). A CES is an independent gas or electric company that directly sells gas or electricity to consumers.
- ◆ A CES must be registered and certified by the PSC to sell electricity and/or natural gas. There are currently 163 electric and 28 gas certified CES providers in the District of Columbia.
- ◆ The PSC does not have jurisdiction, nor can they control the prices charged by CES providers.
- ◆ Certain sales and marketing practices of several CES providers have caused concern among consumers.

Types of Consumer Complaints

- ◆ Slamming: unauthorized switching of a customer's account.
- ◆ Overly aggressive marketing practices.
- ◆ Hidden and confusing contract terms.
- ◆ Misrepresentation: claiming affiliation with the local utility.
- ◆ Deception: teaser rate offerings and fluctuating variable rates.

Consumer Concerns Prompt OPC to Take Action

- ◆ In late 2012, the DC Office of the People's Counsel ("DC-OPC") began receiving a number of consumer complaints regarding the business practices of certain CES providers in the District.
- ◆ Consumers' concerns prompted DC-OPC to file a petition with the PSC to formally investigate all CES providers' business practices.





Advocacy

The act of pleading or arguing in favor of something, such as a cause, policy, or interest, or the support of an idea.

Litigation End Results

- ◆ FC 1105—PSC opened an investigation against Starion Energy:
 - ◆ Issued a Cease and Desist Order to Starion;
 - ◆ Scheduled public hearings;
 - ◆ Over 30 public witnesses testified;
 - ◆ Settlement discussions between DC-OPC and Starion commenced following the hearing;
 - ◆ On December 9, 2013, a unanimous Settlement Agreement and Voluntary Compliance Plan was filed for approval;
 - ◆ On February 6, 2014, PSC approved the Agreement by Order No. 17369;

Outcome/Status of Litigation

- ◆ The Commission extended the proceeding to include rulemaking governing electric service competition and consumer protection requirements; and
- ◆ PSC will review requirements re: licensing, billing, security deposits, disconnections and reconnections of service, resolution of formal and informal complaints, enrollment and renewal procedures, termination of contracts, cramming and slamming.
- ◆ The Commission's stated purpose is to balance two important goals:
 1. the development of a healthy competitive market, and
 2. the enforcement of effective consumer protections.



Making that Choice: The Good News

- ◆ Consumers can take advantage of various energy rates, custom services and sustainable energy products.
- ◆ A wide array of energy suppliers exists.
- ◆ Connection to the local distribution company is maintained for all customers.

Making that Choice

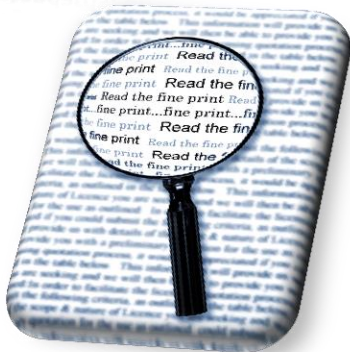
- ◆ If you choose another supplier, your local company will still deliver your energy.
- ◆ If you choose a supplier other than the local utility, you will pay the supplier's rates for the energy you use. The distribution charges to your local company will remain the same.
- ◆ In the event of an emergency or if the power goes out, you will still contact your local electric distributor. Should you smell gas or have a service outage, you should contact your local gas distributor.



Making that Choice

Terms & Conditions

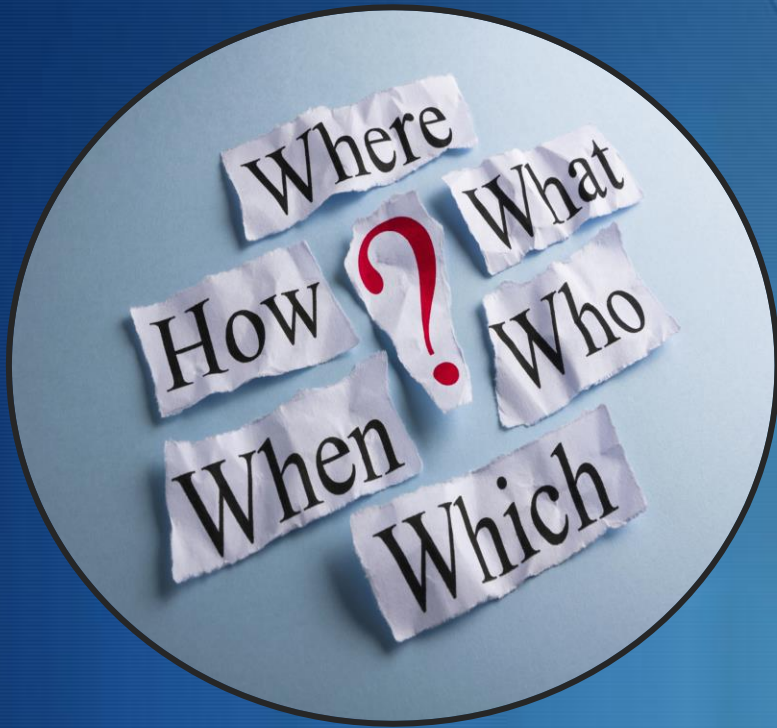
General and special rules and require agree to abide by in order to use a standards, arrangements, specific provisions that form an integral part contract or agreement.



- ◆ CES providers set their own rates and charges without commission control.
- ◆ A CES' corporate headquarters might be located out of the state.
- ◆ The pricing terms are set in your contract with the CES.
- ◆ Your competitive energy supplier contract may renew automatically.
- ◆ Depending on the supplier, you may automatically be enrolled in a variable rate plan.
- ◆ The PSC does not regulate energy supply charges.

Questions to Ask CES

- ◆ Is your company licensed by the PSC to do business in your state?
- ◆ Do I have to enter into a contract for service?
- ◆ If so, what are the terms and conditions of the contract?
- ◆ What is the price per kilowatt hour or therm that is being offered?
- ◆ Is it a fixed or variable rate?
- ◆ For how long is the offered rate in effect?



Thank you!



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