



# The Maryland Public Service Commission

## NEUAC 2015 Baltimore Prepay Panel #2 – Customer Protection

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\*Mr. Timmerman's presentation does not necessarily reflect the official position of the Maryland Public Service Commission  
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# Prepay and Consumer Protections: Regulatory Perspective

- Rationale for termination and other protections
- Differences in protections for regulated, loosely regulated, unregulated and retail competition environments
- Prepay for moderate income customers
- Prepay for low income customers and in particular for energy assistance customers
- Generally assume advanced metering

# Rationale For Termination And Other Protections

- Protections intended to produce security of service by helping customers through temporary payment difficulties
- Protections should not be a substitute for an adequate energy assistance/affordability program
- Protections can inadvertently lead to chronic arrearage situations and chronic threats of termination
- Prepay seeks to achieve intent of service security through customer engagement to manage usage and more frequent manageable payments

# Prepay Must Address Specific Differences in Regulations

- Jurisdictional Differences
  - Probably no two states or territories have identical regulations
- Sometimes very different rules on terminations
  - Absolute seasonal moratoriums vs special conditions (for example temperature) restrictions
- Notice and contact requirements
- Municipals and Coops may not have same regulations as investor owned utilities – but don't assume they are different
- In retail competition states, retail suppliers may not be able to terminate distribution service for non-payment
- Prepay likely to be incompatible with regulations in many circumstances – waiver or special prepay regulations would be required

# Prepay and Moderate Income Customers

- Talking here about customers generally not eligible for energy assistance
- Growing evidence that prepay can help customers with periodic payment difficulties to better manage their usage and bills
- Growing popularity with customers as a payment option
- Useful gateway to other customer engagement
  - Energy efficiency program options
  - Service pricing options (for example TOU pricing)
- Probably should not be available to customers with medical termination restrictions

# Moderate Income Prepay Challenges

- Integration with equal monthly payment plans
  - Prepay usually tracks actual usage, actual prices and customer account balance
  - Equal monthly payments based on annual average usage, not temperature related monthly variation in usage
  - Develop formula to adjust/scale payments to reconcile equal payment “target” with actual usage and prices
  - Done well, could reestablish connection between usage and payments often lost when customers choose equal monthly payment option
- For competitive states, facilitate prepay option for competitive retail suppliers

# Low Income Customers - Affordability

- Prepay does not automatically create affordable service
  - Can increase customer priority for utility payments relative to other expenditures
- Prepay needs to be thoughtfully integrated with energy assistance
  - Similar and complementary to need to integrate equal monthly payments with prepay
  - How to maintain prepay price and usage signal if assistance is an annual or monthly grant?
  - Integration easier with discounted rates (but discounted rates have their own problems as an affordability solution)

# Low Income Customers – Special Considerations

- Customer engagement platforms
  - Platforms for notification/engagement may be different or less predictable than for non-low income
    - Loss of smart phone carrier
    - Limited or no access to PC
    - Banking or credit card payment problems
    - Are kiosks or other physical payment locations available?
- Longer time periods before disconnect
  - But continued notification of current account status
- Clear rules on removing customers from prepay and their new disconnect/reconnect situation
- Prepay intended to encourage careful service usage and maintain service
  - Avoid prepay rules or approaches that could unintentionally lead to prepay as a payment crisis service



# Conclusions

- Well constructed prepay option can benefit moderate and low income customers
- Prepay creates the possibility of long term security of service through customer engagement
- Emerging alternative to common cycle of arrearage accumulation – payment crisis – extended period of disconnect (or arrearage – crisis – delay in disconnect – bigger arrearage – payment crisis – etc.)