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Competitive Energy Suppliers
What Consumers Need to Know

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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.
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.
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;
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

- 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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