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Prepay Panel #2 – Customer Protection

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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.)