WiFi: CWAGNM
No Password
Consumer Protection
Issues in a Restructured
Electricity Market

July 24, 2018

Presentation to the Conference of Western Attorneys General (CWAG)
Assistant Attorney General Elizabeth Anderson
Massachusetts Restructuring - 1997

- Statute passed in 1997 to create restructuring in the electric markets.
- The goal was to achieve reduced electricity costs for MA consumers.
- EDCs (electric distribution companies) continue to provide basic service for any customer who does not choose a competitive supplier.
- Basic service is competitively procured by the EDC, who must pass through the cost of supply to the customer without any mark-up.
From 2014-2017, AGO observed that its investigations and settlements were not serving as deterrent.

- AGO received over 700 complaints from 2014-2017 regarding suppliers
Consumer Complaints

• Complaints were very similar, regardless of the supplier.
  – False promises of savings;
  – Huge bills;
  – Aggressive and harassing marketing behavior
    • Do Not Call violations
  – False representations of affiliation with the local utility and/or the state;
  – Slamming;
Enrolling elderly consumers and others—such as those with limited English proficiency—who do not understand the substance of the solicitation

Failure to disclose key terms of agreement

- hidden fees, such as early termination fees;
- contract term and auto-renewal into variable rates

Misrepresenting the source and/or amounts of any renewable energy offered; and

Lack of customer service, making it difficult or impossible to cancel or rescind agreement.
In 2016, the AGO commissioned a study of the market to find out:

• Do individual residential consumers benefit from the competitive market?

• Is it just a few “bad apples” driving the complaints that we receive, or are the problems more widespread?

• What are some recommendations that we can make that will help prevent consumer harm going forward?
Major Findings

Two-year study of individual residential market
- July 2015 – June 2017

Compared actual rates paid vs. basic service rates

$176.8 Million in NET losses during that period.

Analyzed zip-code level data

- Residents in certain communities paid higher rates:
  - low-median income;
  - minority households;
  - limited English proficiency.
Impact on Customers – Low-Income Hit Hardest

Low-income customers who receive competitive supply pay 17% more than other customers.

2016-17 study period:

- $231 average annual loss for low-income customers
- $224 average annual loss for non-low income customers

Low-income customers participation rate was 36%, double that of other residential customers (18%).

© 2018 Massachusetts Office of the Attorney General
### Ten Suppliers Responsible for the Greatest Aggregate Consumer Loss – All Households.

<table>
<thead>
<tr>
<th>Supplier ID</th>
<th>Average Rate</th>
<th>Number of Bills</th>
<th>Average Premium</th>
<th>Share of Accounts</th>
<th>Net Consumer Loss</th>
<th>Share of Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier #37</td>
<td>$0.1450</td>
<td>611,891</td>
<td>$0.0546</td>
<td>10.35%</td>
<td>$20,571,677</td>
<td>18.47%</td>
</tr>
<tr>
<td>Supplier #41</td>
<td>$0.1382</td>
<td>462,750</td>
<td>$0.0484</td>
<td>7.83%</td>
<td>$12,970,332</td>
<td>11.64%</td>
</tr>
<tr>
<td>Supplier #32</td>
<td>$0.1196</td>
<td>623,020</td>
<td>$0.0290</td>
<td>10.54%</td>
<td>$12,035,815</td>
<td>10.81%</td>
</tr>
<tr>
<td>Supplier #12</td>
<td>$0.1417</td>
<td>362,897</td>
<td>$0.0511</td>
<td>6.14%</td>
<td>$8,763,432</td>
<td>7.87%</td>
</tr>
<tr>
<td>Supplier #42</td>
<td>$0.1082</td>
<td>573,887</td>
<td>$0.0170</td>
<td>9.71%</td>
<td>$6,429,872</td>
<td>5.77%</td>
</tr>
<tr>
<td>Supplier #6</td>
<td>$0.1282</td>
<td>284,867</td>
<td>$0.0381</td>
<td>4.82%</td>
<td>$6,237,222</td>
<td>5.60%</td>
</tr>
<tr>
<td>Supplier #15</td>
<td>$0.1376</td>
<td>213,518</td>
<td>$0.0458</td>
<td>3.61%</td>
<td>$4,648,970</td>
<td>4.17%</td>
</tr>
<tr>
<td>Supplier #18</td>
<td>$0.1571</td>
<td>130,806</td>
<td>$0.0657</td>
<td>2.21%</td>
<td>$4,443,744</td>
<td>3.99%</td>
</tr>
<tr>
<td>Supplier #23</td>
<td>$0.1109</td>
<td>338,309</td>
<td>$0.0203</td>
<td>5.72%</td>
<td>$3,778,146</td>
<td>3.39%</td>
</tr>
<tr>
<td>Supplier #47</td>
<td>$0.1561</td>
<td>108,393</td>
<td>$0.0657</td>
<td>1.83%</td>
<td>$3,751,646</td>
<td>3.37%</td>
</tr>
<tr>
<td><strong>Total associated with Top 10</strong></td>
<td></td>
<td><strong>3,710,338</strong></td>
<td></td>
<td><strong>63%</strong></td>
<td><strong>$83,630,855</strong></td>
<td><strong>75%</strong></td>
</tr>
</tbody>
</table>
Moving Forward

• If it continues, residential electric supply market will need significant oversight and enforcement resources to mitigate ongoing consumer harm. Recommendations include:
  – More transparency regarding rates;
  – Complaint data should be made public;
  – Significant consumer education;
  – Protections for low-income consumers;
  – Targeted remedies (variable rates/auto-renewal); and
  – Supplier-funded enforcement team.
WiFi: CWAGNM
No Password