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# Consumer Protection Issues in a Restructured Electricity Market

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Presentation to the  
Conference of Western Attorneys General (CWAG)  
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# Massachusetts Restructuring - 1997

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- 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.

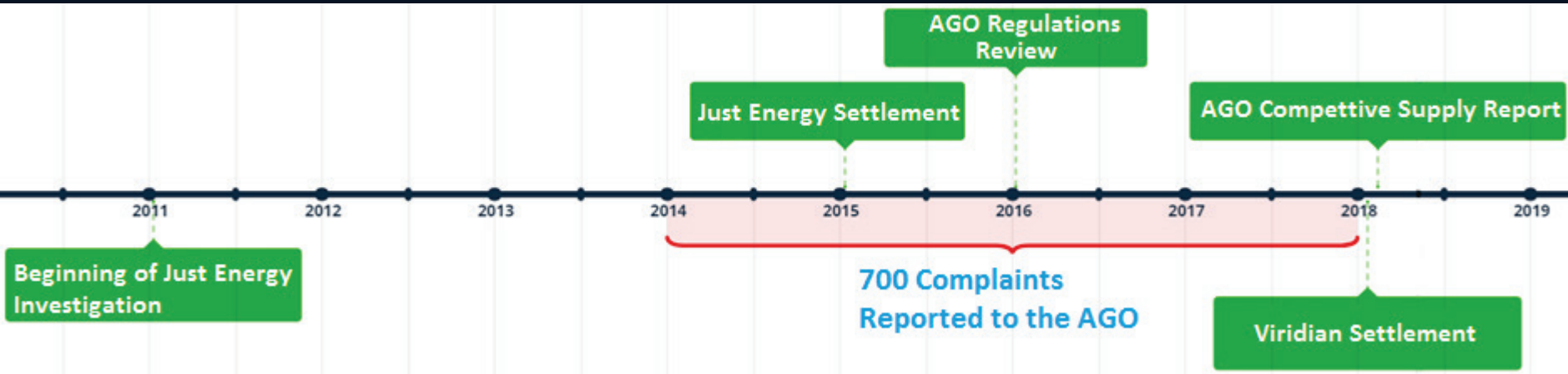


# Consumer Complaints



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

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- 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;



# Consumer Complaints, continued

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- 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.



# AGO Commissions Market Study

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:

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

**\$231** average annual loss for low-income customers

**\$224** average annual loss for non-low income customers



# Ten Suppliers Responsible for the Greatest Aggregate Consumer Loss – All Households.

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



# 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.



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