



Consumer Protection Issues for Residential Customers in a Restructured Electricity Market

April 20, 2018

Presentation to Nevada Governor's Committee on
Energy Choice

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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.
- Municipalities allowed to aggregate load to purchase competitive supply.



Residential Market Timeline

- The residential market was relatively quiet for the first decade.
- 2011 - MA AGO saw an uptick in complaints about suppliers.
- AGO investigates competitive suppliers for violations of the MA consumer protection law, chapter 93A.
 - 2014 - entered into a settlement with Just Energy.
 - \$4 million settlement, including restitution & injunctive relief
 - 2018 – entered into a settlement with Viridian Energy.
 - \$5 million settlement, including restitution & injunctive relief.



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
- Complaints were very similar, regardless of the supplier.
 - False promises of savings;
 - Huge bills;
 - Aggressive and harassing marketing behavior (Do Not Call violations, etc.);
 - Slamming;
 - Enrolling elderly consumers and others-such as those with limited English proficiency-who do not understand the substance of the solicitation.



Consumer Complaints, continued

- 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

- The volume and pattern of complaints received by the AGO reflected serious problems with the market.
- 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?



Moving Forward

- Recommend end of the individual residential electric supply market
- Other states with this market have similar/same issues
- CT and NY have been the most active in addressing problems with the residential competitive supply market.
 - Still reporting consumer losses despite extensive consumer protection measures taken by state legislatures & PUCs



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.