



STATE OF CONNECTICUT

NEWS RELEASE

Consumer Counsel Elin Swanson Katz

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Contacts:

Elin Swanson Katz

Elin.Katz@ct.gov

860-827-2910

Mike Humes

mhumes@aarp.org

860-548-3164

TIME TO END THE THIRD-PARTY RESIDENTIAL ELECTRIC SUPPLY MARKET

HARTFORD, CT (February 4, 2019) After nearly two decades of implementing legislative and regulatory policies, it is time to provide consumers with the ultimate protection from the confusing – often abusive and illegal – marketing tactics of third-party electric suppliers. Consumer Counsel Elin Swanson Katz, in collaboration with AARP and other consumer advocates, as well as U.S. Senator Richard Blumenthal, called for the end of the third-party residential electric market that economically harms consumers at a press conference today.

The group of leaders underscored the destructive economic impact of the residential third-party supplier market on consumers and their budgets at a time when Connecticut is making strides to strengthen the economy. From 2015 through 2018, Connecticut consumers using third-party electric suppliers paid an estimated \$200 million more than consumers on electric utility standard service. The victims range across the economic spectrum, although notably many of the customers who are losing money through the confusing system of third-party suppliers are already struggling to pay their electric bills and simply cannot afford unfair and unscrupulous overcharging.

“Third-party electric suppliers rely on predatory sales tactics to trick folks into unwittingly signing up for contracts,” said Katz. “What’s more, our residents – especially those who are low-income, elderly, use English as a second language, and other vulnerable populations – are getting ripped off by these third-party suppliers which often charge significantly higher rates than the electric utility default service. Enough is enough. We’ve heard it all – aggressive marketing tactics on our own doorsteps, harassing telemarketing calls laced with lies, utility company impersonation, slamming, and more. The time has come to eliminate this economic burden and protect all consumers – including our most vulnerable – from deceitful marketing while at the same time creating innovative ways to offer renewable energy products and products that will reward electric usage reductions. Let’s keep our hard-earned dollars where they belong – in Connecticut consumer wallets.”

Senator Blumenthal said, “Third-party electric suppliers are predatory players in the retail electric market – deploying deceitful, destructive and disgraceful marketing tactics and ripping off customers with exorbitant rates and fees. Consumers desperately need and deserve protection from abuses in the residential electric supply market. Ending this fraught market – so hazardous and harmful to consumer pocketbooks – should be a priority.”

John Erlingheuser, AARP Connecticut advocacy director added, “Choosing an electric supplier is complex and confusing without the tricks of unscrupulous suppliers, which are misleading at best and corrupt at worst. Even if we could eradicate all of the deceptive suppliers and build a wall of consumer protections around the third-party market, ratepayers will still be stuck with contracts that cost more money than the traditional default standard electric service. The process does not allow for an apples to apples comparison.”

Janice Flemming-Butler of the Voices of Women of Color said, "Third-party suppliers are exploiting poor communities. I've seen it firsthand. People make honest efforts to try to save money on their electric bills or find quality employment but end up being deceived, overcharged, and taken advantage of by these companies. They have betrayed the trust of the communities in which they do business."

The Connecticut leaders join the efforts of Massachusetts Attorney General Maura Healey, who earlier last month proposed legislation to end the residential retail choice market in Massachusetts.

Attorney General Healey added, "Competitive electric suppliers have cheated Massachusetts residential customers out of millions of dollars by falsely promising them big savings on their electricity bills, while overcharging them month after month. My office is working to put an end to these predatory practices in Massachusetts and we stand with Consumer Counsel Katz as she works to protect Connecticut's electric customers from these scams as well."

In 2000, in an effort to bring down electricity prices and provide innovative services, Connecticut "deregulated" its retail electric market, or opened it to competition. This allowed residential customers to choose their electric supply from a third-party electric supplier or remain on their electric utility's standard service default rate, which changes each January 1 and July 1 through a procurement process with regulatory oversight. Simply put, retail electric deregulation is a failed experiment for residential customers. Not only has it cost electric consumers more money but it has also failed to bring meaningful innovation into the electric market. In her proposal to end residential retail electric choice, Consumer Counsel Katz supports utility default standard service that will include renewable products and innovative rate structures.

"The truth is that third-party electric suppliers both overcharge consumers on average and do not bring meaningful employment to our state since the transitory commission-based marketing jobs are often located outside of Connecticut. For years, our office has represented electric consumers in regulatory enforcement proceedings where we've been steeped in the marketing and business practices of these companies," Consumer Counsel Katz said.

Despite the enactment of robust consumer protections by the Connecticut Legislature in 2014 and a first-in-the-nation variable rate ban in 2015, consumer harm in the residential retail choice market persists. The agency tasked with regulating third-party electric suppliers – the Public Utilities Regulatory Authority (PURA) – has conducted numerous enforcement proceedings investigating the marketing practices of individual suppliers yet consumer harm is still rampant. Notably, large settlements have stemmed from PURA consumer protection enforcement proceedings – Energy Plus settled claims for \$4.5 million in 2014, North American Power settled claims for \$2.6 million in 2015, and Palmco Power settled claims for \$5 million in 2017. In addition to these huge settlements, PURA has also levied civil penalties against third-party electric suppliers for over one million dollars for violations of Connecticut consumer protection laws. Conducting such regulatory proceedings has drained thousands of hours of state resources, millions in taxpayer and ratepayer dollars, and adds tens of millions to the state's electric costs.

Because all of the legislative and regulatory efforts expended over the years have not created a residential electric supply market that provides a net benefit to Connecticut, Consumer Counsel Katz, AARP Connecticut, U.S. Senator Blumenthal, CT Citizen Action Group, CT Clean Water Action, Operation Fuel and Connecticut Legal Services, Inc. call for the Connecticut Legislature to protect the Connecticut economy and consumers by ending residential retail choice.

Consumer Counsel Katz thanked Attorney Lauren Henault Bidra, Attorney Andrew Minikowski, Attorney Joseph Rosenthal, Rate Specialists Taren O'Connor and Dave Thompson, Economist John Viglione, and the OCC staff for their assistance and dedication to addressing consumer harms in the supplier market.