Retail Choice Under Scrutiny Amid Growing Consumer Complaints

Regulators Likely to Restrict Competitive Suppliers Due to Public Concerns

Industry Insight

After years of retail choice, **some states have begun to examine whether customers are better off with competitive retailers or on the default service tariff.**

In **Massachusetts, the Attorney General wants to end retail competition**, citing deceptive sales tactics based on a two-year study finding that retailer services cost low-income customers 17% more than comparable utility services. The **Connecticut Consumer Counsel has also started to investigate deceptive marketing practices targeting vulnerable consumers.**

In December 2016, **New York banned competitive retailers from enrolling customers who participate in low-income assistance programs** after finding that, between January 2014 and June 2015, such customers paid **$96 million more for electricity and gas** than they would have on the utility's rate. Now competitive suppliers must show their rates will provide monetary savings. In June 2015, SB 573 in **Connecticut banned variable rate contracts for residential customers** on the grounds that such contracts hurt unsuspecting and vulnerable customers.

As retail choice comes under greater scrutiny, **regulators will focus on stringent market entry rules and market monitoring** that can help avoid deceptive tactics.

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Retail Choice Nationwide

Investigation whether Retail Choice Harms Low-Income Customers in Connecticut

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Ratepayer Advocate Seeks Investigation to Examine Whether Competitive Electric Supply Harms Low-Income Customers

The Office of Consumer Counsel, Connecticut's ratepayer advocate, asked the Connecticut Public Utilities Regulatory Authority to **examine whether electric supply choice is appropriate for customers under financial distress.** The office said that placing such customers on standard service would curb unscrupulous expenses subsidized by general rate ratepayers. The situation of low-income customers could exceed the average of electric supply charges exceed standard service rates.

Proponents' arguments

The ratepayer advocate said that consumer complaints indicate "troubling allegations" of misleading sales practices and high-pressure sales practices on vulnerable populations and pointed to a 2014 state law - **An Act Concerning Electric Customer Consumer Protection (SB 2) - that authorizes PURA to place hardship customers in standard service** after examining the feasibility of doing so.

Opponent's arguments

Retail Energy Supply Association (RESA), a retail energy supplier trade association, argues that state law allows authority to determine the feasibility of placing these customers on standard service only after a customer demonstrates hardship. Such a determination can only occur if many solutions for consideration. Given the many standards to protect customers and the agency's proceeding to revise marketing standards and sales practices for electric suppliers (Docket No. 14-07;20RE01), **RESA said that an industry-wide investigation is unnecessary** and asked the agency to reject the petition or limit its investigation to reviewing the feasibility of placing those customers on standard service.

Electric Supplier Customer Complaints in Connecticut

1600
1400
1200
1000
800
600
400
200
0
337
150
91
78
2
2
2