



Current Status of Residential Electric Supply Market in Massachusetts

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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.

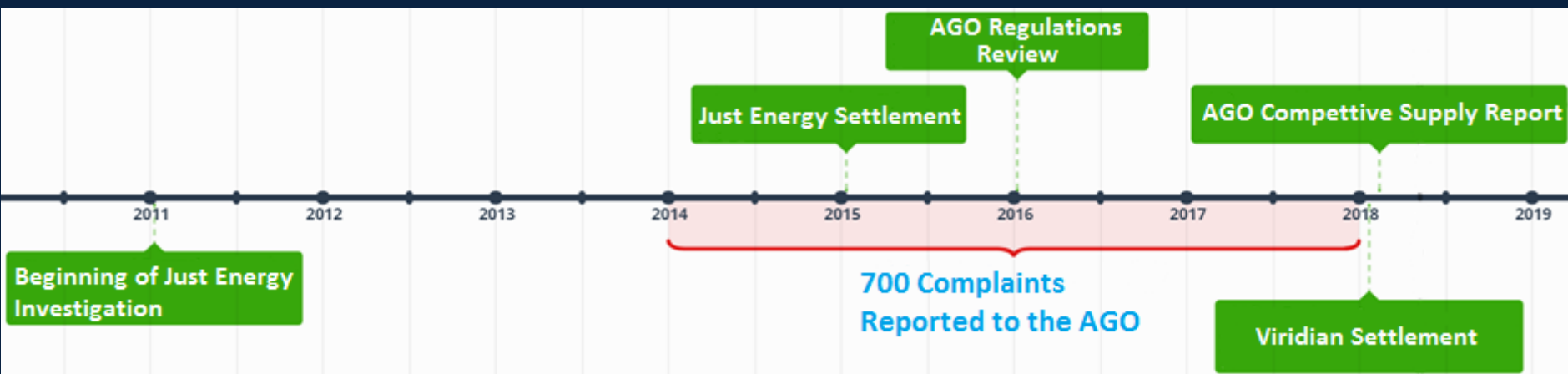


Consumer Complaints



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

- 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

- 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?



\$253 Million Lost

	July 2015 – June 2016	July 2016 – June 2017	July 2017 – June 2018	Three-Year Total Net Loss
Total Net Consumer Loss (millions)	\$65.4	\$111.4	\$76.2	\$253



Impact on Customers – Average Annual Household Loss

2016-17
Study Period:
\$226 average annual
loss for all customers

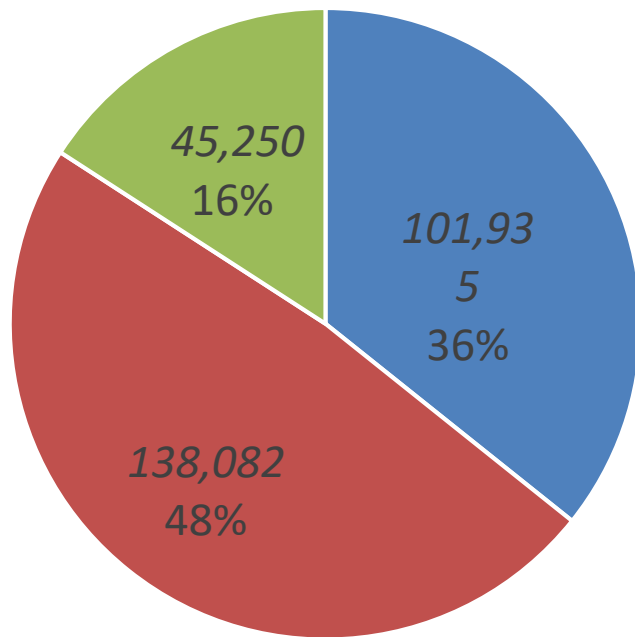
\$231 average annual
loss for low-income
customers

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



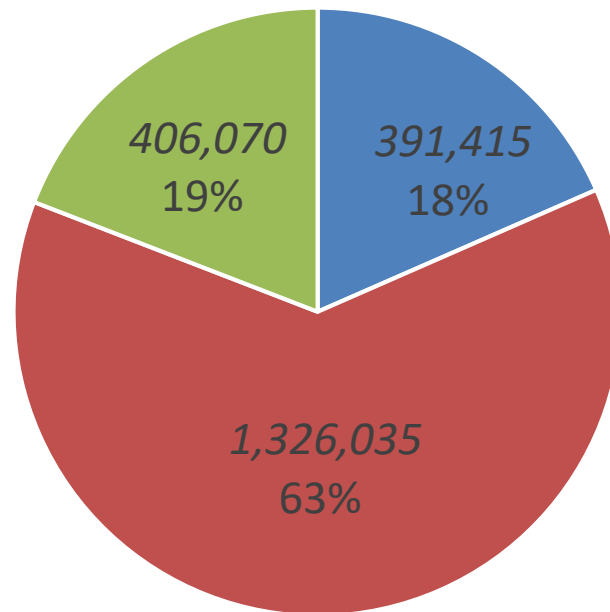
Low-Income vs. Non Low-Income Participation

Low-Income Households Competitive Supply: 36%



■ Competitive supply ■ Basic supply ■ Muni. Aggregation

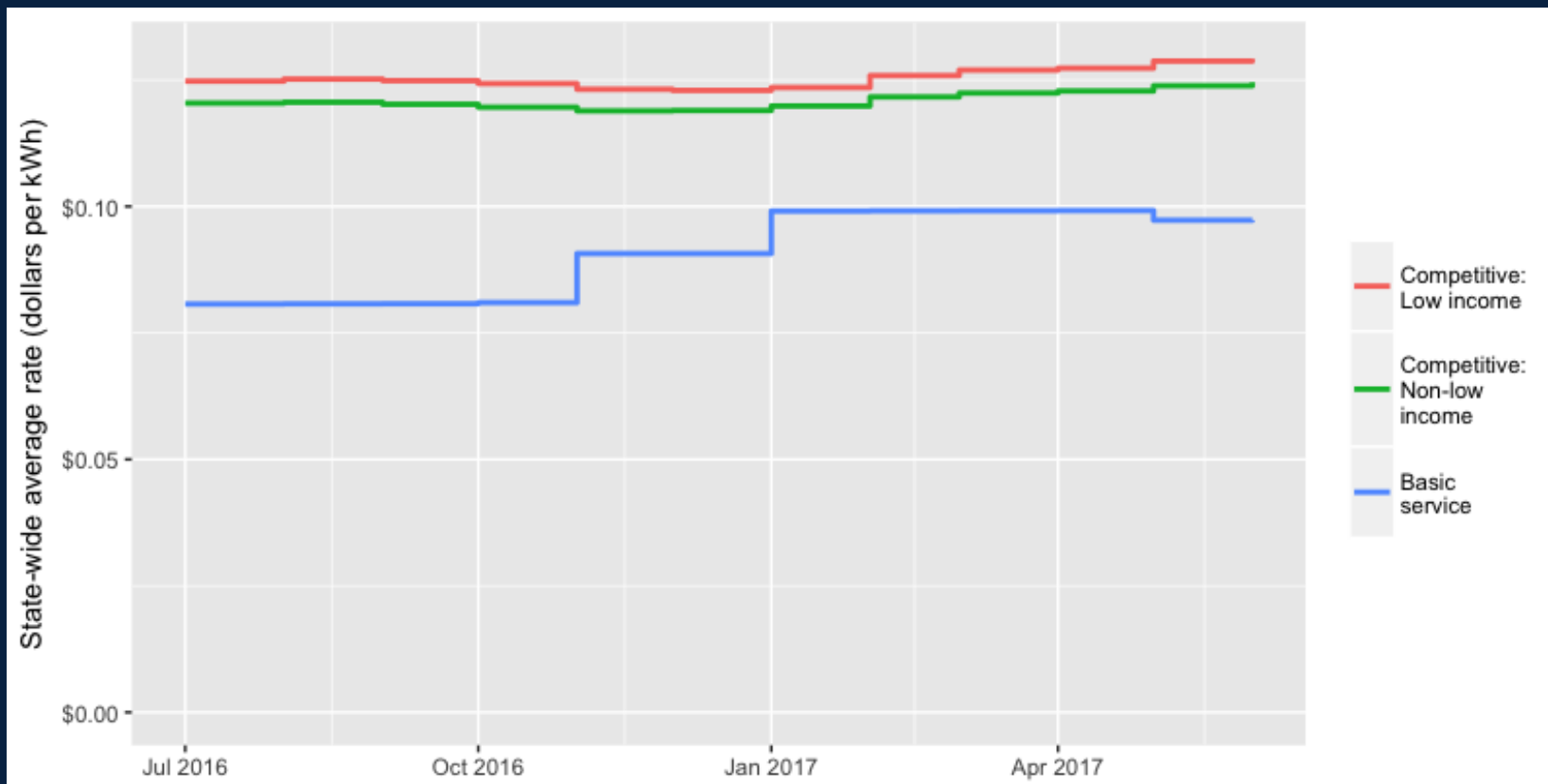
Non Low-Income Households Competitive Supply: 18%



■ Competitive supply ■ Basic supply ■ Muni. Aggregation



2016-17: Average Rates Charged by Suppliers vs. Average Basic Service Rates





Wealthier Customers on Competitive Supply Pay Less

Demographics	Premium	
	Demographic-Specific Communities	Demographic Premium
Hispanic – Top 20	\$0.03521	18%
Limited English Proficiency – Top 20	\$0.03442	15%
Low Earners	\$0.03427	14%
Majority-Minority	\$0.03328	13%
African American – Top 20	\$0.03220	7%
Top Earners	\$0.02933	-3%



More Than a Few Bad Apples

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%
Total associated with Top 10		3,710,338		63%	\$83,630,855	75%



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 charged;
 - 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.