Testimony of AARP CT
In Support of Proposed HB 6526,
AAC Electric Suppliers

Energy and Technology Committee
March 4, 2021
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AARP is a nonpartisan, social mission organization with an age 50+ membership of nearly 38 million nationwide, and nearly 600,000 members here in Connecticut. AARP supports livable communities for all ages, aging in place initiates and financial opportunity and resiliency for everyone as they work age and retire. We are before the General Assembly every year on a multitude of bills that support these issues.

AARP would like to thank the chairs and ranking members of the committee for raising this bill. We would also like to thank PURA for all of the work they do to police the confusing nature of the third party electric supplier market as well as trying to rein in the unscrupulous practices of many of the suppliers. Additionally, we would like to thank the Office of Consumer Counsel for all they do to protect consumers from the bad practices and make people aware of the problems in the market. HB 6526 is a strong piece of consumer protection legislation and AARP supports it as written.

AARP has worked in Connecticut for the last 17 years to correct the issues in the deregulated third party electric market that has been frequently undermined by fraud, misleading advertising, as well as unfair and unscrupulous practices by some third party electric suppliers. This however, has frequently resembled a game of whack-a-mole. For every confusing, bad, or misleading supplier practice that AARP and other consumer advocates knock down through legislation or a PURA ruling, a new scheme or device pops up from the bad actors in the market.

I will provide you with just 2 of the many demonstrative examples. The electric customer's Bill of Rights was passed in 2014. It capped contract cancelation fees at $50 to ensure that a person being taken advantage of could more easily switch to a more fair contract. Suppliers responded by created a new "market innovation" - called an "enrollment fee". This fee would require a customer to pay a fee up front in order to get the best supplier offer for that company. Now if a customer prepays a fee up front and then was misled into making a bad deal, they are out those upfront costs that can be as high as $200.

In 2015, AARP worked to ban variable rate electric contracts. This was because suppliers defaulted customers, unbeknownst to many, into a variable rate contract when the initial contract term expired. Through the new law and a PURA ruling, a "variable rate" was defined as any rate that was

less than 4 months. As a result another billing scheme emerged. This was called a "fixed tiered contract". This is a contract that includes multiple 4-month tiers of rates over the course of a 1 or 2 year contract. Why is this problem? The initial tier or tiers may be a savings versus the Standard Service at the time they enter into a contract, but not in the latter tiers. Standard offer electric rates are fixed for six months and regulated. It is important to note based on the findings of a recent PURA docket there are still over 25,000 customers with banned variable rate contracts due to the auto renew nature of supplier contracts.

Voters in Connecticut strongly support - and feel that there is a need for - stronger consumer protections in the deregulated third party supplier market. A survey conducted by the AARP Public Policy Institute at the end of 2019 show more than eight of ten (84%) Connecticut voters ages 50+ strongly or somewhat agree that Connecticut should do more to protect customers of third party electric suppliers, including 65 percent who "strongly" agree. Agreement is widespread regardless of political affiliation, with more than eight of ten Democrats (85%), Republicans (81%), and Independents (84%) expressing agreement.

The major reason voters want changes is that the third party electric market is not working for ratepayers. According to an analysis done by the Office of Consumer Counsel, from 2015-2020, Connecticut consumers with third-party electric suppliers have paid an estimated $274 million more than consumers on utility standard service. In 2020 alone, there was a $34,407,693 overpayment. This is happening even though Connecticut has the most robust consumer protections in the nations. Major consumer protection legislation was enacted through Public Act No. 14-75 and in 2014 and we were the first state to implement a Variable Rate Ban through Public Act No. 15-90 in 2015. This past year major marketing reforms were enacted by PURA that resulted from the 2014 legislation.

Despite Strong PURA Enforcement of consumer protections, consumer harm is still rampant. Below is a list of some Connecticut Regulatory Proceedings:

A. Energy Plus: $4.5M Settlement, PURA Decision, June 11, 2014
B. North American Power: $2.6M Settlement, PURA Decision, Oct. 28, 2015
C. Public Power: $13k Civil Penalty, PURA Decision, Jan. 20, 2016
D. Palmco Power: $5M Settlement & 5-year Stay-out, PURA Decision, Aug. 16, 2017
E. Spark Energy, $900k Civil Penalty (pending), PURA Notice of Violation, Mar. 21, 2018
F. Choice Energy: $250k Civil Penalty, PURA Decision, June 13, 2018
G. Liberty Power: $57,475 Civil Penalty, PURA Decision, July 2, 2018
H. Spark Energy, $500k Settlement, PURA Decision, Nov. 6, 2019
I. Direct Energy: $1.5M Civil Penalty, PURA Decision, May 1, 2019
J. Liberty Power: $750k Settlement, PURA Decision, Oct. 30, 2019
K. PURA Decision in Docket No. 18-06-02, placing all hardship customers using suppliers onto standard service for the next two years; OCC analysis demonstrated $7.2M in overpayments by hardship customers participating in the retail choice market.
L. Abest Power: $60k Settlement & Permanent Stay-out, PURA Decision, Dec. 18, 2019

M. Clearview Energy: $9k Settlement, PURA Decision, Jan. 15, 2020
N. Think Energy: $21k Settlement, PURA Decision, Feb. 19, 2020
O. Discount Power: PURA Investigation into Marketing (pending)
P. Town Square Energy: PURA Investigation into Marketing (pending)
Q. Spark Energy: PURA Investigation into Marketing, Billing, and Enrollment Practices (pending)
R. Public Power: PURA Investigation into Marketing (pending)

AARP supports all sections of the bill, however, there are two provisions that we think are the most important. One is the provision of this bill would end the practice of auto renewing third party supplier contracts, including the 25,000 legacy variable rate contracts. The contract auto-renew provision often unknowingly pushes people into rates that are at times significantly higher than the standard service. This legislation would also eliminate cancellation fees for all third party electric contracts. Those fees often keep customers in bad contracts because the cancellation fee is often greater than the amount of money that is being over paid. This frequently is the case with older consumers and those with low incomes.

AARP encourages passage of the bill as written.