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Department of Public Utilities  
One South Station - 5th Floor  
Boston, Massachusetts 02110

Investigation by the Department of Public Utilities on its Own Motion into Initiatives to Promote and Protect Consumer Interests in the Retail Electric Competitive Supply Market  
D.P.U. 19-07

## Comments of Arcadia Power

Thank you for the opportunity to provide comments on the Notice of Investigation on the retail electric competitive supply market in Massachusetts. Arcadia Power shares many of your concerns about the state of the market and is committed to making the market work better for residential customers.

### Introduction

Arcadia Power is the first nationwide digital energy services company. Our job is to connect residential utility customers with clean energy while helping them save money. Depending on the local market structure, we provide a number of services to our customers, including renewable energy credit purchasing, retail supply brokerage, zero-downpayment energy efficient products, and community solar. We currently have more than 230,000 customers, spread across all 50 states. More than 6,300 of those customers are in Massachusetts.

Arcadia Power has specific experience in the retail electric competitive supply market. We are licensed as a broker in nine states, including Massachusetts. With our energy brokerage service, we use our proprietary technology to continuously monitor the market and switch customers once we find a better deal, unless they opt out. This approach gives residential energy consumers an expert advisor who makes taking advantage of a complicated market effortless.

We welcome the opportunity to share our experiences with you.

### **Executive Summary: Residential customers need more tools than a Competitive Supply Website**

Before answering specific questions from the Notice of Investigation, we wanted to share our observations on the role of a Competitive Supply Website. Our experience is that the Competitive Supply Website is inherently limited in its effectiveness, and that relying on the Website to fix the residential competitive market is a mistake.

Consider how commercial and industrial customers operate in the competitive market. Their large scale gives them buying power, they have brokers and internal employees who are



charged with actively managing supply plans, and they shop for new supply plans proactively. These characteristics have allowed commercial and industrial customers to thrive in the competitive market. Residential customers, though, are very different: individual households are small scale, supply plan management takes a backseat to the priorities of everyday life, and they tend to choose plans in reaction to aggressive marketing tactics.

The way to fix the residential market is to make it look more like the commercial and industrial market. The Competitive Supply Website will never deliver a comprehensive set of solutions that residential customers need in order to thrive in this market. The Competitive Supply Website is inherently a static tool that gives customers prices to react to. Instead of focusing on the Website, the Department of Public Utilities should aim to create a set of circumstances that will help residential customers thrive: scale, active plan management, and proactive engagement with suppliers.

Arcadia Power's experience is that brokers are in the best position to create the market conditions for residential customers to thrive. Brokers can aggregate large groups of customers to create scale. Brokers can actively manage a customer's supply plan. And, brokers are in a position to go find better rates, rather than just seeing what suppliers currently have available. Importantly, brokers can also serve customers from anywhere in a utility service territory and can provide personalized services that meet each household's interests. In this way, brokers can be a customer's "energy concierge", a personal assistant managing their energy needs.

The bulk of our answers below are about enabling brokers to provide the concierge-style services that residential customers need.

### **Answers to specific questions**

1. What types of general education activities would be most effective to increase customer awareness of the value that the Competitive Supply Website can provide (see Section II.B)? For each type of activity, identify the appropriate role of the Department, the distribution companies, the competitive suppliers, and other stakeholders.

The Competitive Supply Website should be used to make customers aware of the services that brokers can offer. The Website could include a new section for brokers serving the residential market, with DPU-licensed brokers eligible to use the new section to connect with customers. This would not require any additional activity from the DPU, distribution companies, competitive suppliers, or other stakeholders.

5. Would it be reasonable and appropriate for the Department to establish uniform requirements by which competitive suppliers would notify customers of the automatic renewal provision in their supply contracts (see Section II.C, above)? If no, explain why not. If yes,

a. What information should competitive suppliers be required to provide to customers (e.g., the date on which the automatic renewal will take effect, the price and pricing structure to which the contract will automatically renew)?

b. How long before the automatic renewal takes effect should competitive suppliers be required to provide such notification to customers?



c. What method(s) should competitive suppliers be allowed to use to provide the notification (e.g., direct mail, e-mail)?

The value of this information depends on both the customer's interest and the details of the plan. We don't want to make a judgment about what a customer would or would not find valuable and would discourage the DPU from making that same judgment. Operationally, this means that a customer should be able to waive any requirements for communications about automatic renewal provisions.

If the customer does want this communication, it will be most valuable if it comes from the entity with whom the customer has a relationship. In most brokerage contexts, the customer's relationship is with the broker, not the supplier. In this case, the customer should be allowed to elect to receive communications from their broker.

These communications will also be the most valuable if they're delivered when customers are likely to take action. Our experience is that customers won't take action on their supply plan until changes to the plan are imminent. Communications that come too far in advance of the plan change are likely to be ignored. We would recommend that any communications about automatic renewal should be sent within five to seven days of the automatic renewal date.

Finally, these communications will be most valuable if they arrive via the channel that the customer prefers. Customers should be able to select a standard preference for all communications about their competitive supply plan, including any automatic renewal provisions. These preferences should include at least paper mail and e-mail.

7. How could the presentation of competitive supply information on electric distribution companies' bills be revised to provide competitive supply customers with improved awareness of their competitive supplier and their competitive supply product (e.g., a separate page dedicated to the competitive supply component of customers' electric service, the insertion of competitive supplier logos on the bill)?

The utility bill is the most official record of a customer's energy services and must include minimum information about a customer's supply plan. It's important for us to be able to tell our brokered customers where they can find this basic information. In order for us to effectively help our customers, the supplier name, current rate, months remaining on the contract, and whether the rate is fixed or variable should be listed in a consistent manner across all Massachusetts utility bills. This information should be readily identifiable and should be written in plain English. We are largely indifferent among the countless places you could require this information be placed, as long as it's in the same place for every customer in the state.

10. Would it be reasonable and appropriate for the Department to establish standards of conduct for marketing channels such as telemarketing and direct mail (see Section III.B, above)? If no, explain why not. If yes, identify the marketing channels for which the Department should establish standards of conduct and, for each marketing channel, discuss how the standards of conduct should differ from the standards of conduct for door-to-door marketing.



The purpose of the standards of conduct is to protect customers from aggressive marketing tactics, both by regulating the tactics used in certain channels and by making those channels less frequently used by supplier marketers. The DPU has correctly decided that door-to-door marketing is ripe for abuse and has put rules in place that make door-to-door marketing less common and a better experience.

From a customer protection perspective, the best alternative to door-to-door marketing is electronic marketing, including e-mail and social media. Electronic marketing is preferable because it is not conducive to aggressive sales tactics. The DPU should reduce burdens on using this consumer-friendly channel, not increase burdens by creating new standards of conduct. Electronic marketing is already sufficiently regulated by truth-in-advertising laws and countless other state and federal rules.

11. Would it be reasonable and appropriate for the Department to expand the role of TPV to include confirmation that a competitive supplier has complied with the marketing standards of conduct (see Section III.C, above). If no, explain why not. If yes, should the Department establish uniform language that TPV service providers would be required to use to confirm that suppliers have complied with the marketing standards of conduct?

It would be inappropriate for the Department to expand the role of TPV to electronic marketing communications. The finite resources available for TPV should be dedicated to marketing channels that are ripe for abuse.

#### D. Section IV - Barriers to Market Efficiency

15. Would it be reasonable and appropriate for the Department to direct the electric distribution companies to initiate competitive supply service during a customer's meter read cycle (see Section IV, above)? If no, explain why not. If yes,

- a. Discuss how this would improve the value that the market can provide customers.
- b. Identify other states that allow the initiation of supply service during a customer's meter read cycle. For each state, describe the manner in which the state implements such an approach.

Customers should be able to switch between suppliers or between standard offer service and a supplier at any time. The meter read cycle is a holdover from a previous era and is no longer relevant to customers who expect real-time service. Customers will be happier with both suppliers and the regulated utility if they are able to change plans immediately.

This practice is common in other states. For best practices, we recommend that you learn from the immediate switching available in Texas or "accelerated switching" available in Delaware or Pennsylvania.

16. Would it be reasonable and appropriate for the Department to eliminate the customer account numbers as required information on an enrollment transaction (see Section IV, above)? If no, explain why not.



It would not be appropriate for the Department to eliminate the customer account numbers as required information. The account number is the single most reliable way to identify a customer. Market operations should continue to use the account number as the system of record.

17. What other rules may act as barriers to a more efficient competitive market? For each answer, propose ways to mitigate those barriers.

The Department should investigate how budget billing interacts with the competitive market. Our experience is that budget billing processes tend to interact poorly with competitive market operations. For example, when a customer switches to a new supplier, they are often confused to find that for several months - until the budget bill amount is adjusted by the utility - they're still paying the same budget bill amount plus the addition of a competitive supply cost, significantly increasing the total bill. This is admittedly a very challenging situation, and we're not sure that there are perfect solutions. At a minimum, though, confusion could be minimized by making the budget billing experience more transparent. For example, budget billing customers should have a portion of their bill that shows their total budget billing balance separated into supply and delivery portions, as well as how the balance has changed from the previous month. Simply being able to see how budget billing interacts with their new supply rate would be a significant positive change for customers.

Another barrier to an efficient market are rules that limit how frequently customers can switch off of standard offer service. Eversource's tariff, for example, says that if a customer leaves a supplier for standard offer service, they must stay on standard offer service for at least six months before returning to the same supplier. This is economically inefficient for customers, because it artificially constrains their ability to choose the best supply rate. This is also out of step with other states, which don't have the same anti-switching rules. Residential customers would benefit from a market that allowed them to choose the best supply plans in real time.

19. Would it reasonable and appropriate for the Department to require the electric distribution companies to establish a "do not switch" list, which would preclude a company from switching a customer to a competitive supplier? If no, explain why not. If yes,

- Discuss the manner in which the "do not switch" list should be implemented.
- Identify other states that have established such a list, and, for each state, describe the manner in which the state has implemented the list. In commenting on the reasonableness and appropriateness of the initiatives identified in this NOI, stakeholders should provide comment on whether the initiative is within the Department's existing statutory or regulatory authority to implement or whether the initiative would require a legislative or regulatory change.

A "do not switch" list is a bad idea, and it would not be appropriate for the Department to require the establishment of such a list. Such a list would be ripe for abuse and would prevent customers from taking advantage of services that would save them money.

First, parties that oppose competitive supply could likely manipulate customers into signing a "do not switch" list. For example, a utility could present the "do not switch" list



as a default option when a new customer signs up for service. In this case, signing up for the list would not be a considered decision, but would simply reflect the preference of someone managing the customer experience. This is no different from a customer being switched to a new supplier with incomplete or inaccurate information, something which the Department has properly decided to regulate against.

Second, the competitive supply market is changing rapidly. We are very concerned that customers would sign up for a “do not switch” list based on current market conditions and would never be able to take advantage of innovative services from new market entrants. The Department should not create a system for customers to lock themselves into the status quo, when there’s no evidence that this will be a smart choice for most customers in the future. If the Department does implement a “do not switch” list, it should ensure that customers can easily change their decision to be on or off the list through self-service tools available online.

## **Conclusion**

The retail electric competitive supply market in Massachusetts is not working well for residential customers today. There is good news, though: companies with new business models are now fixing the market. New brokers are serving as energy concierges and bringing scale, active plan management, and proactive supplier engagement to the residential sector. These new entrants will help to ensure that the market is better serving customers in the future.

We appreciate the opportunity to provide these comments. We are always available to talk about our comments and answer any questions you may have. Please don’t hesitate to contact Richard Caperton at [richard.caperton@arcadiapower.com](mailto:richard.caperton@arcadiapower.com) or 202 210 0063.

Sincerely,

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