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**Governor's Committee on  
Energy Choice**

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## *Governor's Committee on Energy Choice*

### **Who is the National Energy Marketers Association (NEM)?**

A non-profit trade association representing leading suppliers and major consumers of natural gas and electricity throughout the U.S., Canada and the European Union.

#### **NEM Membership:**

- IPPs, suppliers of distributed generation, energy brokers, power traders, global commodity exchanges and clearing solutions, demand side and load management firms, direct marketing organizations, billing, back office, customer service and related information technology providers
- Inventors, patent holders, systems integrators, and developers of advanced metering, solar fuel cell, lighting and power line technologies



## *Governor's Committee on Energy Choice*

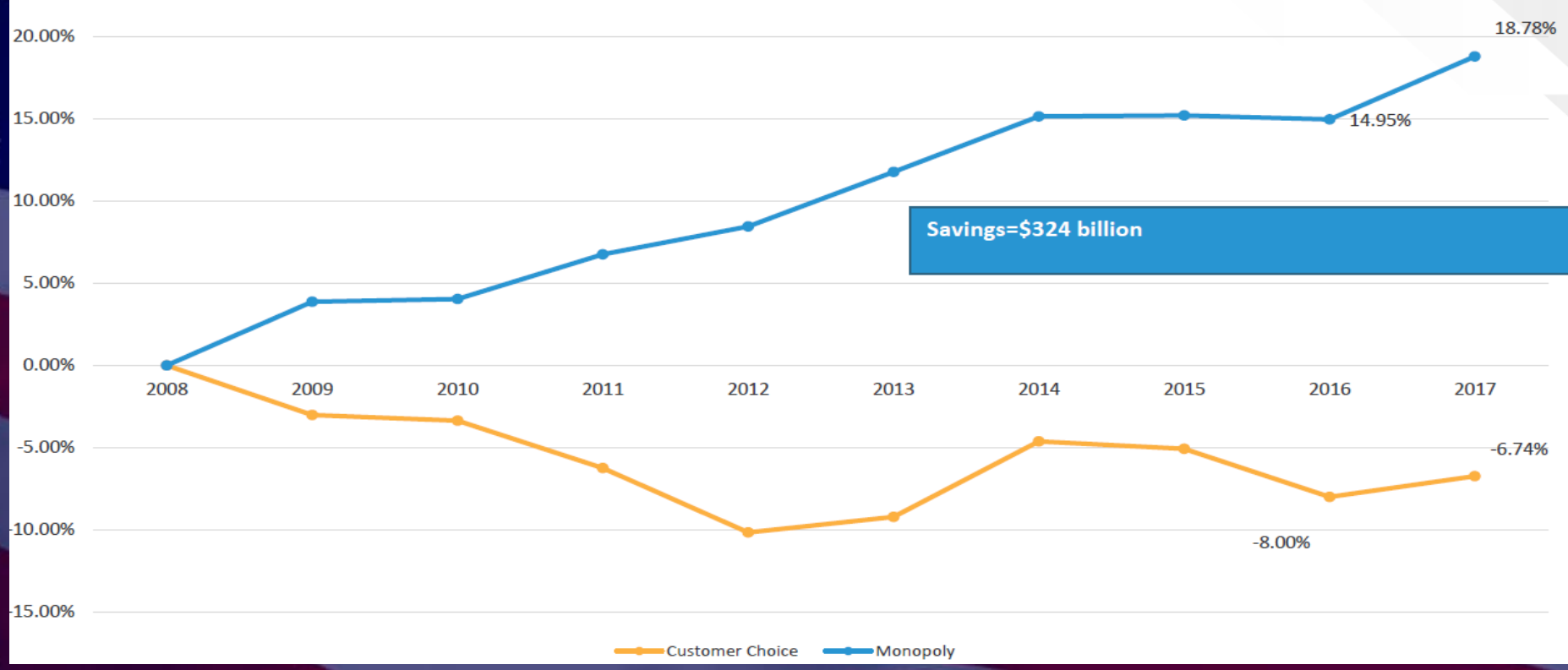
### **Who is the National Energy Marketers Association (NEM)?**

- **Originally founded in Washington, DC**
- **Opened West Coast office in Sparks, Nevada in 2017**
- **NEM is celebrating its 21st anniversary this year**



# Benefits of Retail Electric Competition

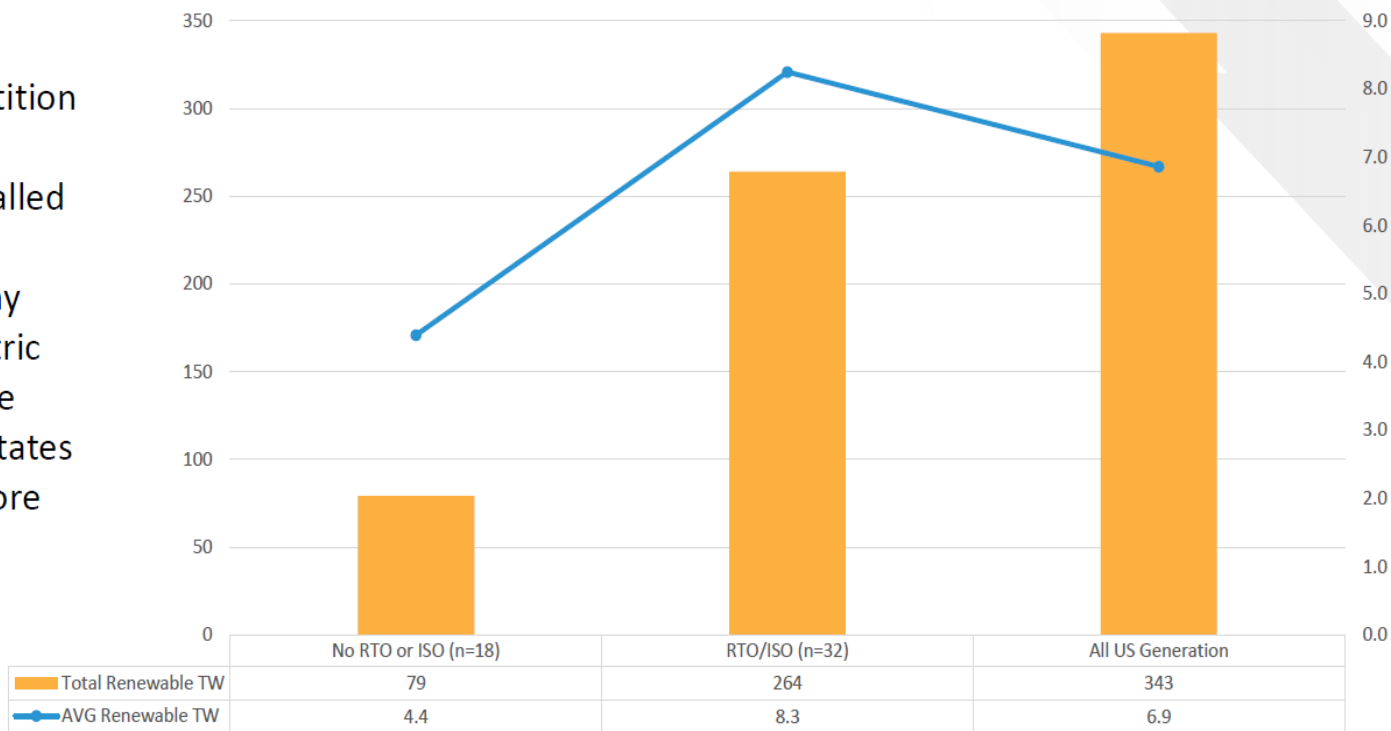
## All Sector Weighted Average Price Change by Percentage, 2008-2017



## Benefits of Retail Electric Competition

### Renewable Generation: Markets vs Monopolies

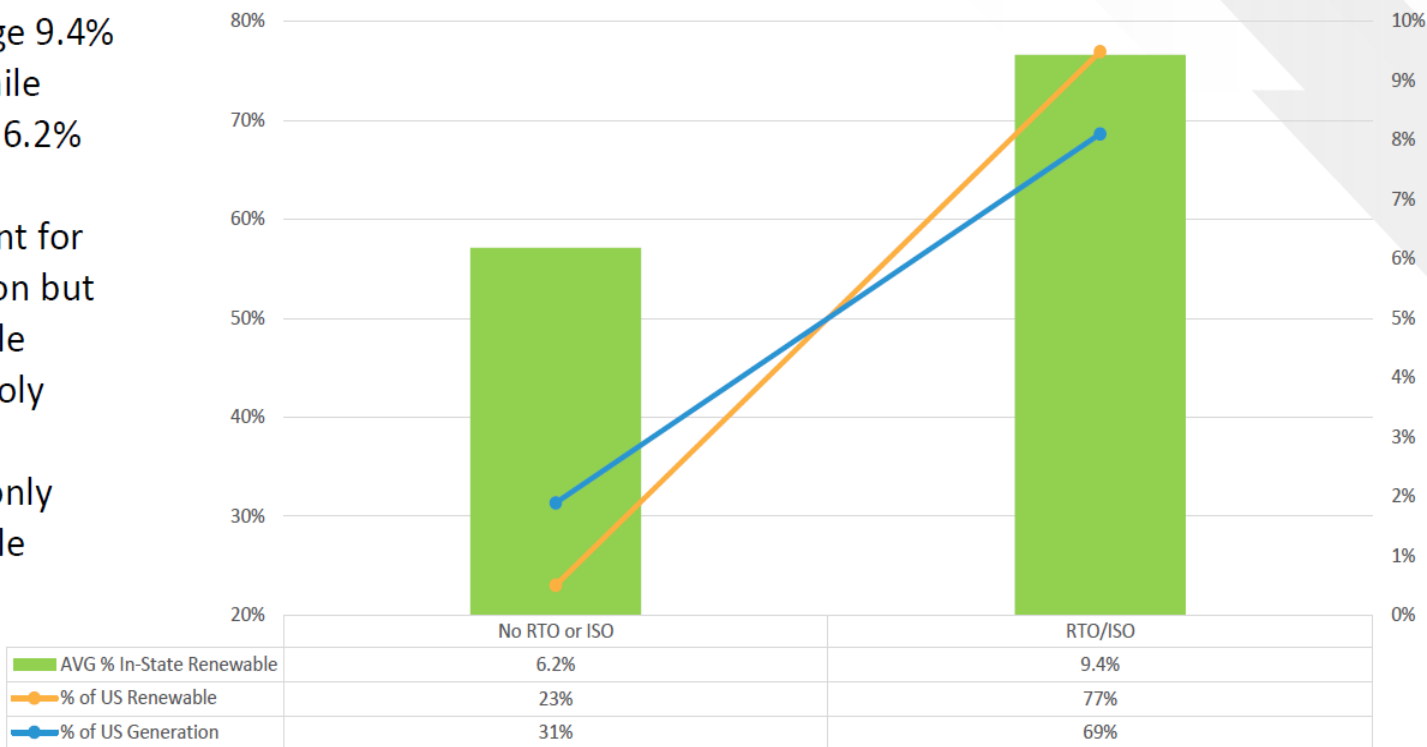
- ✓ States with electric competition have a greater amount of renewable generation installed
- ✓ There are 1.8 times as many states with wholesale electric markets as non-competitive states, but the wholesale states have installed 3.4 times more renewable generation



## Benefits of Retail Electric Competition

### Renewable Generation: Markets vs Monopolies

- ✓ Competitive states average 9.4% renewable generation while monopoly states average 6.2%
- ✓ Competitive states account for 69% of installed generation but 79% of installed renewable generation, while monopoly states account for 31% of installed generation but only 23% of installed renewable generation





## *Benefits of Retail Electric Competition*

- **Utility Monopolies  $\neq$  Innovators**
  - **Utility Rate-Setting and Tariff Approval Processes Only Accommodate Plain Vanilla Offering**
- **Consumer Product and Pricing Options**
  - **Technology is the Enabler**
  - **Fixed, Variable, Combinations**
  - **Green Products and Distributed Energy Resources**
  - **Increased Control of Energy Usage and Energy Costs**
  - **Enhanced Customer Service Experience**
- **Downward Price Pressure of Competitive Energy Market**
  - **Increase Competitiveness of Business, Attract New Business, Increase Economic Activity**



## *Maximizing the Benefits of Retail Competition*

- **Utility Exit from Competitive Functions and Focus on Core Delivery Function**
  - **Efficient Use of Public (Ratepayer-Backed) and Private Capital**
  - **Shifts Commodity-Related Risks From Captive Ratepayers and to Competitive Suppliers**
  - **Retention of Utility Monopoly as a Direct Competitor with Other Suppliers in the Marketplace Delays/Diminishes Realization of Energy Choice Benefits (Utility Market Power/Economies of Scale)**
- **Regulatory Certainty for Market Participants**
  - **Timing and Implementation of Market Opening**
  - **Rules, Policies and Practices for Compliance Going Forward**





# Texas - Number of REPs and Products Serving Residential Customers, September 2016\*

Utility Service Territory	Residential Suppliers	Number of Products
AEP Central	52	355
AEP North	49	295
CenterPoint	55	400
Oncor	55	390
Sharyland – McAllen	14	103
Sharyland Utilities	22	155
TNMP	49	320

\* PUCT Report, 2017 Scope of Competition in Electric Markets in Texas, page 3.



# Texas Inflation-Adjusted Comparison of Regulated and Competitive Rates (12 Month Fixed Price)\*

<b>TDU Service Territory</b>	<b>Last Regulated Rate (2001), cents/kWh</b>	<b>Last Regulated Rate, Adjusted for Inflation</b>	<b>Current Lowest Fixed Price</b>	<b>Percentage Change</b>
AEP Central	9.6	13.1	5.6	-57.25%
AEP North	10.0	13.6	5.0	-63.24%
Center Point	10.4	14.1	5.4	-61.7%
Oncor	9.7	13.2	4.5	-65.91%
TNMP	10.6	14.4	5.0	-65.28%

\* PUCT Report, 2017 Scope of Competition in Electric Markets in Texas, page 4.



## *Steps to Implementation of Energy Choice Initiative*

- **Consumer Education** – Early, Often, On-Going
- **Utility Rate Unbundling**
- **Technical Implementation** – Data Sharing Between Utility and Market Participants
- **Commission Rulemakings** - Supplier Certification Standards, Consumer Protection Requirements, POLR Requirements
- **Utility Stranded Cost Management and Mitigation**
- **Wholesale Market Structure**



## *Best Practices for a Competitive Retail Electric Market*

### **FOUNDATION: Utility Monopoly Exit from Competitive Functions and Focus on Core Competency of Delivery Infrastructure Reliability, Resilience and Security**

- Utility Facilitates Active Consumer Engagement in Purchasing Decisions**
- Utility Facilitates Competitive Supplier Provision of DER**
- Utility Provides:**
  - Access to Customer Data – timely/granular/billing quality**
  - Distribution System Data**
  - Plug and Play Infrastructure for Market Participants (interconnection services)**



## *Best Practices for a Competitive Retail Electric Market*

- **Utility Rate Unbundling** – Permit Consumers to Understand Components of Energy Bill
- **Market-Based POLR Pricing** – Market-Based Commodity Pricing Signals are a Prerequisite for Consumers to Engage in Price-Responsive Demand Behavior
- **Consumer Education** – By All Market Participants, Example: Commission Shopping Websites
- **Efficient, Cost-Effective Means to Enroll Customers** - Allow Suppliers to Manage Customer Acquisition Costs



## *Best Practices for a Competitive Retail Electric Market*

- **Expeditious Consumer Switching Timeframes – Consumer Energy Choice Should Be Easy to Execute**
- **Consolidated Billing of Utility Delivery Charges and Competitive Supplier Charges**
- **Timely Competitive Supplier Access to Granular Data**
- **Requirements for Utility Management of Stranded Costs and Avoidance of Punitive Exit Fees – Competitively Neutral Application of Stranded Costs**



## *Best Practices for a Competitive Retail Electric Market*

- **Code of Conduct** – Competitively Neutral Conduct Among Utility, Affiliates and Non-Affiliates
- **Establish Competitive Market Ombudsperson at Commission**
- **Regulatory Certainty Facilitates Supplier Entry, Investment, and Market Participation** – Market Opening and On-Going Compliance Obligations
- **Reasonable Consumer Protection Requirements, Supplier Certification Standards and Marketing Standards**
  - **NEM Consumer Bill of Rights - 2010**
  - **NEM National Marketing Standards of Conduct – 2013**



## ***NEM Consumer Bill of Rights***

**All Consumers Should Have the Right to Choose Their Energy Supplier, Receive Delivery of Their Energy Supply from a Reliable Utility Delivery System, and be Provided Information Which Entitles Them to:**

- Access to energy products and services that provide what they promise and are presented and described in clear and understandable language
- Accurate price and usage information, from both the utility and competitive energy supplier, that is expressed in simple and straightforward terms





## ***NEM Consumer Bill of Rights***

- **Terms and conditions written in plain language that set forth contractual obligations for both the consumer and energy supplier**
- **Specific information about savings claimed in any offer**
- **How a consumer may terminate a contract and the cost, if any, of doing so**
- **A clear understanding of when price changes may occur and what happens when the contract term expires**
- **An enrollment process that verifies a consumer's acceptance of a product offer**



## ***NEM Consumer Bill of Rights***

- **Verbal and written offers that identify the competitive energy supplier as operating independently of the utility delivering electricity to the consumer**
- **Consumer education on energy, energy conservation, and technology available to help control energy costs**
- **A fair and timely complaint resolution process**



## ***NEM National Marketing Standards of Conduct***

### **Business practices that form a common basis for doing business in the energy marketplace**

- **Supplier and agent compliance with applicable federal, state and local laws and regulations**
- **Suppliers shall not engage in false, misleading or deceptive conduct**
- **Suppliers shall be responsible for conduct of their agents**
- **Suppliers shall utilize methods appropriate to the size and type of consumers when engaged in door-to-door, telephonic, electronic and network sales and marketing**



## ***NEM National Marketing Standards of Conduct***

- **Suppliers shall provide accurate information to consumers about the products and services being offered**
- **The supplier's agreement with the consumer shall set forth all material terms (rate, term, early termination fees, rescission rights)**
- **The sales presentation shall be in the same language as the agreement with the consumer**
- **The supplier agreement with the consumer shall be clear, plain and in a language understandable to the consumer**



## ***NEM National Marketing Standards of Conduct***

- **Suppliers shall make accurate representations regarding the relationship with the delivery utility**
- **A consumer shall not be enrolled for competitive energy service unless s/he has expressed his/her consent to do so**
- **A supplier shall record, retain and honor all valid contracts in accordance with applicable federal, state and local requirements**
- **The consumer shall be provided with contact information of the supplier and state regulatory commission**
- **Suppliers shall promptly and timely investigate and appropriately respond to consumer inquiries and complaints**