

NEM works to keep some retailer flexibility in Connecticut

The National Energy Marketers Assn asked the Connecticut Public Utilities Regulatory Authority (PURA) Friday to leave month-to-month contracts in place there. PURA is working to implement a law that banned variable-rate deals after the polar vortex of 2014 caused prices to spike in Connecticut and other states.

“The combined effect of these laws, and implementing regulations, has seriously undermined the effective functioning of the competitive retail market, has created a high degree of regulatory uncertainty that continues to plague retail marketers as the ‘rules of the game’ have been substantially modified and appear to continue to be at significant risk of change going forward,” NEM said.

The result has been “increased the costs of doing business in the state which ultimately leads to higher prices for customers – all to the collective detriment of Connecticut consumers,” the group added.

The restrictions on offers and the added regulatory reporting and notice requirements associated with the products that are still allowed have profoundly changed the marketplace, NEM said, but despite that, retailers are still working to serve Connecticut. While the legislature has spoken and eliminated variable-price deals, NEM repeatedly argued against doing so and urged the PURA to keep monthly deals, which the law still allows.

A month-to-month rate means the price can change monthly and NEM urged the PURA to adopt that common-sense definition. A fixed-rate deal likewise has a common definition – that prices are set for a period of time.

“NEM is concerned with the suggestion that additional regulatory definitions are required to accommodate tiered rate structures or other continuously evolving competitive rate plans,” NEM said. “The adoption of restrictive regulatory definitions constrains and deters the very innovation that competitive markets are intended to deliver.”

Getting too specific with regulatory definitions could crimp current products that were designed with customer interest in mind and stop innovation from happening, it added.

PURA asked whether month-to-month rates should only be allowed after a fixed-rate term ended, but NEM argued customers should be able to pick those deals from the start.

“Of course, the availability of fixed-rate products in the marketplace is a necessity for those customers that value price stability and price certainty,” NEM said. “However, in the absence of month-to-month rate products, consumers would be foreclosed from potentially capturing the savings of lower prices in a declining market.”

PURA asked whether such month-to-month deals should be capped in how much they can change and NEM argued they should not. Competitive forces in the marketplace will bring price discipline to it and ensure rates are just and reasonable, it added.

NEM urged PURA to let retailers offer products that have their rates spelled out in advance, but change over different billing periods to capture the changing wholesale prices of different seasons.

Retailers are focused on customer service and retention because those are pricey to offer, especially as these firms compete with utilities in Connecticut.

“Retail marketers want to encourage consumer satisfaction and customer retention over the long-term,” NEM said. “To do so, they endeavor to control consumers’ exposure to price volatility and offer stability in pricing, including in variable-rate products.

“It is not a sustainable business model to abuse variable pricing and subject consumers to erratic price swings up and down.”