

# CONSUMER EDUCATION GUIDE

PREPARED BY

The Retail Energy Supply Association

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# A Consumer Education Guide

Retail energy markets allow consumers to choose among competitive suppliers vying for their business. This provides energy consumers with many options in terms of energy management, efficiency, renewable “green” energy and price. Just as most consumers can choose from a variety of Internet or telephone service providers, consumers in many states can now choose an electricity and natural gas supplier for their home or business. This is a significant change over traditional utility service, in which an energy consumer has no choice but to purchase from a monopoly utility service provider offering few or no options in terms of energy management tools, renewable energy and efficiency, and pricing.

RESA members recognize the critical role that substantive, practical, fair and workable consumer protection and marketing practices play in promoting a robust and sustainable competitive retail market that provides value-added products and services to customers. RESA member companies are committed to meeting and promoting a set of guiding principles addressing consumer protection and marketing practices.

To highlight the power of choice, the Retail Energy Supply Association (RESA) has developed this consumer education guide to assist residential and small business consumers.



## What is a competitive electric or natural gas supplier?

A competitive electric or natural gas supplier is independent of your traditional utility company and provides consumers with competitively priced and innovative electricity or natural gas products. New and exciting product offerings are being developed routinely as suppliers compete for customers and the competitive markets continue to evolve.



## If I choose a competitive energy supplier, what part of my service will change?

If you choose a competitive energy supplier there will be no disruption in service and no one must come to your home or business. No one will need to install any wires, cables, boxes or meters.

When you choose a competitive supplier, you will still have that energy delivered by your traditional utility company and typically will continue to receive a consolidated bill from the utility. What will change is the price you pay on the supply portion of your utility bill and the type of electric or gas product you purchase. As a consumer, you need only select a competitive energy supplier and authorize them to make the switch. The reliability of your service will remain the same. The local utility company will continue to be responsible for any power outages or other emergencies.

Like choosing a cell phone service provider, selecting a competitive energy supplier requires a contract between you and the supplier. Always be sure to read and understand all the terms and conditions of your contract. You can enter into a contract with a retail electric or natural gas supplier in several ways. Some examples include:

1. Enrolling online and accepting contract terms and conditions electronically; or
2. Signing a written contract; or
3. Providing a recorded verbal consent (also known as third-party verification) to contract terms and conditions.

While it can be as easy as contracting through one of the three methods above, keep in mind that written contracts, especially those that result from direct solicitation, sometimes also require third-party verification for your protection.



## Can anyone shop for an energy supplier?

Residents and business customers in many U.S. jurisdictions can shop for electricity and natural gas and have a variety of competitive offers from which to choose.

To learn whether competitive choice in energy is available in your state, visit your state's public utility or public service commission website. If you live in a state with a competitive energy market, the public utility commission website should list all competitive energy suppliers and detail how to learn more about shopping in the market.

You can often find energy shopping tips and residential or small business supplier offer information on your local public utility commission website or special shopping sites linked through the commission website. This includes the names of suppliers actively soliciting for customers and other information about basic offers in some cases. Visit [www.resausa.org](http://www.resausa.org) to find consumer information or to click through to state commission-sponsored information sites.



In many states you can choose a retail energy supplier just as you do for cell phone plans and cable and Internet packages. Choosing an energy supplier is no different. There are a wide variety of products and pricing options in the market to consider.

# General Information About Competitive Energy Suppliers

Electricity and natural gas suppliers do NOT work for nor are they endorsed by utilities. Competitive energy suppliers DO work with your utility company to make sure they can switch your account from utility supply to competitive supply with your authorization.

In order to coordinate the switch, the energy supplier will need a copy of your utility bill or your utility account number to process your enrollment with your new competitive supplier.



**Competitive retail energy suppliers generally are licensed by the state, and must abide by local, state, and federal rules and regulations governing competitive suppliers and the sale of electricity and natural gas products.**

Depending on the billing methods of the supplier you select you might receive two separate bills, one for energy supply from your supplier and one from the utility for the delivery of that energy (dual billing). In most cases you will receive one bill from the local utility with both competitive supply charges and utility delivery charges reflected (utility consolidated billing), or one bill from the competitive supplier reflecting both delivery and supply charges (supplier consolidated billing). Competitive suppliers operate under agreements with the local utility to ensure proper billing options. If a competitive supplier makes any claims that they are acting on behalf of the utility, discontinue the conversation and immediately contact your utility and public utility commission for clarification.

Competitive retail energy suppliers generally are licensed by the state, and must abide by local, state, and federal rules and regulations governing competitive suppliers and the sale of electricity and natural gas products.

Be aware that state and federal laws and regulations require the energy supplier to fully disclose all relevant terms and conditions of the contract agreement between you and the supplier.



## What should I ask before entering into a contract?

There are a number of questions you may wish to ask a sales agent or explore online, including:

- What is the price to compare per kilowatt hour (kWh) for electricity, or price to compare per therm or ccf for natural gas? If you view your current energy bill you will see a Price to Compare (in many markets, but not all). This reflects the utility's current price for default supply. It is important to note how long the Price to Compare is in effect.
- What does the supplier's price offer include? Is the supplier's price inclusive of all charges or will there be other items listed on your bill in addition to this charge, such as taxes?
- Will the price of supply change during the term of the contract or remain the same? In other words, is the offer a fixed price, a promotional offer, or variable rate that changes over time?
- What is the length of the agreement?
- Is there a cancellation fee or any penalty for switching suppliers before the term of the contract expires?
- What is the content of the product, and is it generated from renewable energy sources?
- How long will it take to switch my account to this new supplier? When will the new billing rate take effect?
- Will I receive a separate bill from my new energy supplier, or will my supply charges continue to appear on my utility bill?
- Is there a rescission period, or a number of days allowed to cancel the agreement if you change your mind, and if so what is the time period?
- Is there a bonus or other value added benefit for signing up or remaining a loyal customer?

# Understanding Pricing and Product Options

## RESA Member Companies

Outlined below are common product types you'll find in today's competitive energy marketplace.



Competitive retail markets lead to innovation. New and exciting product offerings are being developed constantly, especially with the advent of smart metering technology. Outlined below are common product types you'll find in today's marketplace.

**Fixed Price Option:** Fixed price plans provide price certainty for a specific period of time, subject to contract terms. If you choose a plan with a long contract period and a fixed rate, you will have certainty that your price will not change during that time. While this may help your household budgeting, if market prices fall you may need to wait until your contract expires to obtain a lower price. The opposite is also true. If prices should rise while under contract, you will then have a lower fixed price, subject to contract terms and conditions.

**Indexed or Variable Price Option:** Indexed or Variable rate plans vary with market fluctuations and other factors. This means your price may go up and down over the course of your contract period. The most common plans have rates that change monthly based on market movements or seasonal prices where the price may remain the same for the winter but change monthly in summer months. This type of contract may provide the benefit of pass-through of market prices, which can be lower or higher due to cold winters or other market conditions.

**Introductory or Promotional Offers:** These are usually special rates that are offered for a set period of time, after which the normal price plan will take effect.

**Sustainable Energy Product Offers:** Such products and services could include renewable energy products, demand response products, energy efficiency products, carbon-offset products, and products that take advantage of smart metering technologies.

## Sales agents working for energy supply companies may visit you, call you, or write you to tell you about their current offers. Before making the switch to their company we suggest the following guidelines.

### Telephone Sales

- Telephone solicitors should identify themselves and the company they represent.
- If you do not want telemarketers to contact you, you can ask to be placed on a “Do Not Call” list.
- If you are interested in the offer, you should ask many of the questions noted and understand the price, terms, and conditions of the offer, before accepting the offer.
- You have the right to request all terms and offers be mailed to you rather than enroll on the spot.
- To enter into a contract by phone, you will verbally agree to the terms and conditions of the contract. This agreement will be recorded, and you should receive written confirmation of this contract.

### Online Sales

- When you enter into an agreement with a supplier online, you should be provided with all the terms and conditions of the agreement on the website. You should also have the option of downloading or printing that information.
- Be aware that by checking the box on the website, you are electronically agreeing that you are authorizing the switch, and that you have read and understand all the terms and conditions.

### Direct Mail Sales

- A direct mail solicitation must include all terms and conditions of the offer or direct you to a website or call center where you can obtain additional information regarding the conditions of the offer.
- Be sure to read and understand the terms and conditions of the offer before accepting it. If you have questions about the offer, contact the supplier directly.

### “Door-to-Door” or In Person Sales

- Sales agents soliciting in person should identify themselves and the company they represent. Ask to see the sales agent’s ID, if they do not present this information to you.
- Do not feel pressured to make a decision on the spot. However, if you do make a decision to sign up on the spot, be aware that you are signing a legally binding contract. Be sure the supplier’s name and sales agent’s name appear on the materials provided to you.
- Any materials presented to you should use plain language, including words and images that facilitate a clear understanding of competitive products and services being offered.
- If you choose to sign a contract during an in person sales interaction, ask to receive a copy of all pages of the contract, especially any pages you signed and initialed. Contracts are legally binding, so please read and understand all aspects before signing any contract.
- All in person sales agents must abide by all local ordinances and state rules, regarding the hours of the day that sales solicitations may take place. And, no matter what the time of the solicitation is, if you don’t wish to talk to the sales agent, you may always ask them to leave your premises.
- Be aware that an in person sales agent may represent a specific supplier or be an independent broker or agent. If the sales agent is not associated with a retail supplier you should obtain a business card and know this agent is not representing a specific company but may work for a number of companies as a broker agent.

If at any point you become uncomfortable with a marketing representative, whether it involves someone at your door or over the phone, immediately end the conversation and contact your state Public Utility Commission or Public Service Commission regarding your concern.