

Newsroom | News Releases 2013 | CUB Report Card Gives IL Power Suppliers High Marks For \$90-\$200 Million In Savings, But Warns Of Misleading Pitches, High Exit Fees, 'Major Market Shift'

General inquiries: 800-669-5556

CUB Report Card Gives IL Power Suppliers High Marks For \$90-\$200 Million In Savings, But Warns Of Misleading Pitches, High Exit Fees, 'Major Market Shift'

CHICAGO, February 18, 2013—Electricity competition saved Illinoisans up to \$218 million in 2012, but power suppliers get an overall grade of "incomplete" for reports of misleading pitches, a lack of innovation, and the looming question of whether they can offer savings after a major market shift this summer, the Citizens Utility Board (CUB) said Monday.

"It's good news that power shoppers have saved money in the short term, but Illinois is still in the honeymoon phase of electric competition," CUB Executive Director David Kolata said at a news conference unveiling the watchdog group's report card for Illinois' electricity market. "The Land of Lincoln power market is about to undergo a big test, and alternative electric suppliers should make key improvements."

Illinois restructured its electricity market in 1997, but alternative suppliers didn't begin competing for residential customers until more than a decade later, sparked by higher utility rates and a new state rule that allowed companies to add their charges to ComEd and Ameren bills. Now, ComEd and Ameren customers can choose an alternative supplier themselves, or, if their community passes a referendum, have local leaders choose one for them through a process called "municipal aggregation."

Since 2010, 1.7 million residential customers have switched to alternative suppliers, most in 2012, which saw a 562 percent increase in participation. That increase, unmatched in the nation, was largely fueled by 467 communities that have launched aggregation programs. CUB's report card graded the electric market in three areas.

Short-term Savings, A-: With some exceptions, alternative suppliers have beaten utility rates, because Ameren and ComEd have been locked in higher priced power contracts. In general, municipal aggregation has offered the lowest rates—an average price of 4.85 cents per kilowatt-hour in ComEd communities, and 4.08 cents per kWh in Ameren communities. Compare that to ComEd's current supply rate of 8.3 cents per kWh, and about 5.4 cents per kWh for Ameren. CUB estimates that competition sparked \$92 million to \$218 million in savings in 2012.

The big question facing Illinois' electricity market is how it will change on June 1, when the last of higher priced utility contracts expire and ComEd and Ameren rates are expected to drop.

Consumer Protection, C: Because of the expected drop in utility prices, CUB is concerned that many offers it is tracking charge "termination fees" of up to \$175 if customers want to exit a contract early. (It appears many municipal aggregation deals do not charge exit fees, but that is a good detail to check with local officials.) In addition, CUB has received troubling reports of misleading marketing. The reports often come from aggregation communities, such as Chicago, presumably because competing suppliers

are racing to sign up customers before the community switches residents to its chosen supplier. Sales representatives may become more desperate as the pool of potential customers gets smaller and in the face of the expected drop in utility rates.

"Illinois consumers should be on alert," Kolata said. "Conditions could be ripe for rip-offs."

Innovation, D-: A major weakness in Illinois' electricity market is that suppliers have focused solely on the price advantage caused by relatively expensive utility contracts—an advantage unlikely to last. Launching innovative programs that promote energy efficiency, money-saving technology, and dynamic pricing would make alternative offers more attractive after the market changes, but also better protect consumers from future market fluctuations. Yet, none of the suppliers have introduced creative offers, such as "real-time" pricing, "time of use" rates, or smart thermostat programs.

CUB added that the City of Chicago's municipal aggregation deal has the potential to be a model for its consumer protections and its use of renewable energy and efficiency.

Overall grade, INCOMPLETE: A final grade remains to be seen, given market uncertainties and reports of misleading marketing, high exit fees, and the lack of innovation. CUB recommends that alternative suppliers:

Train their sales force better. Provide a concrete list of marketing DOs and DON'Ts.

Introduce innovative programs. The most reliable way to help consumers cut costs is not to rely on the market, but to launch innovative programs that promote energy efficiency, money-saving technology, and creative pricing plans—such as "time of use" or "real-time" pricing.

Practice better transparency. All alternative electric suppliers should promptly and accurately report their prices to the Illinois Commerce Commission (ICC) for display on the ICC's PluginIllinois.org website.

Eliminate exit fees. Some electric offers don't charge any exit fees, which begs the question of why others charge \$100 or more. CUB calls on all power suppliers to eliminate such fees.

Don't use utility logos. Alternative suppliers should not use names and logos that are similar to regulated utilities. That can spark customer confusion.

CUB is Illinois' leading nonprofit utility watchdog organization. Created by the Illinois Legislature, CUB opened its doors in 1984 to represent the interests of residential and small-business utility customers. Since then, CUB has saved consumers more than \$10 billion by helping to block rate hikes and secure consumer refunds. For more information, call CUB's Consumer Hotline, at 1-800-669-5556, or visit CUB's award-winning website, www.CitizensUtilityBoard.org.