



**HOUSE CONSUMER AFFAIRS COMMITTEE
ELECTRIC GENERATION SUPPLIER SALES AND MARKETING PRACTICES
PUBLIC HEARING – JUNE 18, 2018**

NRG Energy, Inc. appreciates the opportunity to submit these comments in response to the House Consumer Affairs Committee’s request for information about the sales and marketing practices of competitive retail suppliers. NRG supports the Committee’s efforts to enhance transparency for consumers and improve the competitive retail energy market in Pennsylvania.

Who We Are

NRG is a leading integrated power company in the U.S., with a leading competitive electric generation portfolio and retail electricity platform. A Fortune 500 company, NRG owns and operates approximately 25,000 megawatts of generating capacity and its retail businesses serve nearly three million customers across more than a dozen states, including in Pennsylvania. NRG’s retail companies have more than 25 years combined experience with retail energy competition and customer service.

NRG’s northeast retail business is headquartered in Philadelphia, Pennsylvania. The Company has four licensed retail companies that are actively serving residential, commercial, industrial and institutional customers across the Commonwealth – NRG Home and NRG Business, Green Mountain Energy Company, Energy Plus Holdings LLC, and Cirro Energy. These NRG retail companies offer customers a range of products including 100% renewable, cash back rewards, loyalty points and portable power solutions.

The Public Utility Commission has Aggressively Protected Electricity and Natural Gas Consumers

With the expiration of the remaining electric generation rate caps that occurred at the end of 2010, the Public Utility Commission (PUC) recognized that greater numbers of suppliers were entering the market and would continue to do so. They understood that consumers were being exposed to unfamiliar marketing strategies and sales techniques – whether online, on the phone, or at their doorsteps. They initiated a process to develop comprehensive rules to govern the sales and marketing of electricity and natural gas to consumers by competitive energy suppliers. The PUC adopted those rules in 2012. The rules govern a wide range of things including: defining who is considered a marketing and sales agent, laying out agent qualifications, establishing standards for agent behavior and background check requirements, stipulating the supplier’s responsibility for those agents and its liability, setting minimum standards for agent training, obtaining customer consent to enroll and verifying the customer’s intent to enroll, outlining agent identification requirements,

setting parameters for door-to-door and telemarketing sales, handling of customer complaints, among other things.

In the wake of the Polar Vortex in 2014, the PUC was the first of any state commission in the Northeast to jump into action to identify gaps and address the need for more transparency for consumers – adopting new requirements for better contract disclosures and enabling customers to switch suppliers more quickly. And as evidenced by the press releases issued over the past several years, the PUC has taken aggressive disciplinary action against suppliers who fail to comply with the PUC’s regulations.¹

In short, Pennsylvania has been a leader in protecting consumers while at the same time ensuring the viability of competitive energy markets. State commissions in Maryland, Delaware, the District of Columbia, and New Jersey have all followed the PUC’s lead, adopting many of the same rules in their own jurisdictions.

The PUC’s Rules in Practice

The NRG Retail companies work hard to comply with the rules adopted by the PUC and to follow good business practices encapsulated in NRG’s own code of ethics and standards. Simply put, if we do not meet customer expectations or if prospective customers have a poor experience when interacting with us, then they will not be our customers – at least not for very long – and they will likely voice their dissatisfaction with the PUC. We do our best to ensure the quality of our sales process and individual consumer interactions so that customers choose us and remain with us. Our compliance program is focused on ensuring: 1) compliant products, 2) compliant communications, and 3) compliant sales.

Compliant Products: It all starts with idea generation. As new ideas emerge from our product development, sales or marketing teams, our regulatory and legal teams are consulted to ensure those ideas are allowable from a legal and regulatory perspective. For example, when our team was developing NRG’s Choose to Give program, they gathered input from our legal and regulatory team on the permissibility of enabling customers to support local community charities simply by signing up for electricity with NRG Home.²

¹ See http://www.puc.state.pa.us/about_puc/press_releases.aspx for examples of PUC disciplinary actions against licensed suppliers.

² The NRG Home Choose to Give program offers electricity supply plans that benefit local charities and organizations in the local communities we serve. For more information about NRG’s Choose to Give plans, visit <https://www.nrghomepower.com/lp/choosetogive/>. In Pennsylvania, NRG partners with Children’s Hospital of Philadelphia, Philabundance, and Big Brothers Big Sisters. To date NRG has contributed over \$200,000 to our Choose to Give partners on behalf of our customers.

Compliant Communications: NRG has adopted a robust process to review all marketing, sales, and agent training materials produced by our business teams. Our Creative Review Process (“CRP”) is a central clearinghouse for all materials generated by the NRG Retail companies to promote our product offerings in our Northeast markets. All customer and external facing collateral material must be submitted for regulatory and legal compliance review through the CRP site. We have dedicated resources whose primary responsibility is reviewing the materials for compliance with state requirements. In short, nothing goes out the door without review and input from our legal and regulatory resources to ensure they comply with the PUC’s contracting, sales and marketing rules found in Chapters 54, 56, 62, and 111, among others.

Compliant Sales: In addition to ensuring we have compliant products, and marketing and sales materials, we also ensure that our sales process complies with the PUC’s rules governing sales and sales agents, as well as NRG’s code of ethics and standards. NRG Retail has what we believe is a “best-in-class” Quality Assurance (QA) program that is tasked with continually and consistently affirming that the teams responsible for engaging with prospective customers are following the rules and the standards we set. Our QA program covers everything from onboarding agents (including background checks and agent training and Badging), to setting performance and ethics standards for our vendors (and auditing them), to investigating complaints and taking disciplinary action as necessary. We have a dedicated full-time QA team with Field Representatives who are our front line, boots on the ground, eyes and ears into how the sales agents are representing NRG’s brands and performing in the field. They perform face to face audits of our agents and make courtesy calls to customers to learn about their experience with our agents. Through our secret shopper program, we evaluate and score the performance of our field agents selling in retail locations. The program enables us to understand the shopping experience from the customer perspective and improve our agent training.

We also employ various performance metrics to track the quality of our agents’ sales. We deploy technology to aid in all our compliance efforts, including GPS tracking through the tablets that our agents use to enroll customers. This allows us to pinpoint where our agents are at any moment, including keeping a historical record of their movement every day. We hold monthly meetings with NRG’s management team to report on performance and provide updates on new initiatives aimed at improving or maintaining our sales quality and to get feedback. Major complaints that trigger disciplinary action include disputed enrollments, agent misbehavior, and misrepresentation. We provide coaching when appropriate and terminate agents when necessary.

In short, our QA Team is responsible for ensuring that all customer interactions are compliant, legal, and result in a positive customer experience, while maximizing sales. If and when we identify gaps, or when mistakes are discovered, our QA Team springs into action to gather facts, mitigate impacts, identify root cause, and implement corrective actions to guard against future occurrences. We

communicate with PUC staff when we discover issues to ensure that they know we are on top of our business processes and taking care of our customers.

The PUC Should be Encouraged to Do More to Enhance Transparency for Consumers and Improve the Competitive Retail Market in Pennsylvania

While the PUC's efforts to ensure transparency and improve the competitive market have been notable, the PUC's work in these areas is far from complete. Consumers continue to be confused about who provides their supply service. The primary contributing factor is that when a customer chooses a competitive supplier, she continues to be billed by the regulated utility who delivers the electricity supply. The supplier's charges appear as a single line item, typically found on page four of that bill. Absent close scrutiny of the bill by the customer, she's likely to forget that she chose a competitive supplier. Customers have expressed frustration over this issue directly to the PUC through complaints. In a recent example found on the PUC's website, a customer stated that he could not possibly have switched suppliers because he continues to get his bill from the local utility.

Customers of every product and service – except energy – are billed by and pay the company that provides that service to them. Think about it: FedEx, UPS, and the U.S. Postal Service don't bill customers for the merchandise they purchase from Amazon.com or Home Depot – Amazon and Home Depot bill customers directly and include delivery costs in their prices. There is simply no reason why energy service should be any different. Customers expect to be billed by their service providers. And in other competitive energy markets – including Georgia, Texas, Alberta and the United Kingdom, retail suppliers handle billing and collections for their customers. NRG's retail companies in Texas and Georgia send out more than two million bills every month and have been doing so for more than a decade.

To bring real transparency to consumers exercising their right to choose their supplier, the PUC should be encouraged to exercise their existing statutory authority and require that Supplier Consolidated Billing (SCB) be adopted as another billing option (in addition to utility consolidated billing and dual billing), offered by suppliers electing to provide it and available to consumers who choose it. With SCB, customers would receive a single bill from the supplier they select for both supply and delivery.

In addition to bringing much needed transparency to consumers, SCB forces suppliers to be more accountable to their customers because they are more visible to their customers. No longer can a supplier hide on page four of the utility bill and hope that the customer doesn't realize who is providing their service. There will be no doubt in the customers' minds about who to call if they are dissatisfied with their service.

SCB has the added benefit of enabling suppliers to provide more innovative products and services (for example, bundled home warranty or home security services or a true flat bill pricing plan) to Pennsylvania consumers because they will be able to bill for them. Consumers demand the convenience of a single bill and, as technology continues to evolve, they increasingly are looking for whole home solutions to their energy needs, as well as other benefits like innovative payment plans. Competitive retail suppliers are poised to deliver these solutions.

The PUC held an en banc hearing on Thursday, June 14th and has scheduled another hearing for July 12th on this topic. They are hearing directly from parties on the merits of SCB. The idea of SCB is not new to the PUC. Competitive billing was included in the restructuring settlement agreements that were agreed to by the utilities and ratepayer advocates, among others, and which were approved by the PUC 20 years ago when the competitive retail market was opened. SCB was endorsed again by the PUC in 2012 when it noted that SCB should be made available as a billing option as part of a vibrant, competitive market.

SCB is a natural and necessary next step in bringing transparency to consumers and moving Pennsylvania toward the robust retail energy market that has been envisioned for twenty years. We urge this committee to encourage the PUC to complete the task it has endorsed for the last 20 years and direct that SCB be implemented as another billing option available to Pennsylvania consumers.

NRG appreciates the opportunity to provide these comments.

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