

**Vistra Corp. Testimony for
Pennsylvania House Consumer Affairs Committee Hearing on
"State of the Electricity Market", noting the 25th anniversary of the Electricity Generation
Customer Choice and Competition Act.**

Presented by Scott Hudson, President Vistra Retail

March 23, 2021

Good morning Chairman Marshall, Chairman Matzie and members of the committee.

My name is Scott Hudson, and I'm President of Vistra's retail electricity business. I have worked in consumer services and marketing for over 25 years, with 10 of that in the competitive energy sector. I also grew up not too far from here in Baltimore, Maryland, so it is good to be here today to focus on retail competition in the mid-Atlantic.

Vistra is an integrated energy company, meaning we both generate electricity and sell it to residences and businesses. We serve more than 4 million retail customers in 19 states, making us one of the largest competitive electricity providers in the country. Our company is also the largest competitive power generator in the U.S., with a capacity of about 39,000 megawatts, powered by a diverse portfolio of natural gas, nuclear, solar, and battery energy storage facilities.

Specific to Pennsylvania, we serve electric and natural gas customers through our unique retail electric and natural gas brands, which include Dynegy, Better Buy, and Brighten Energy. We also operate three natural gas-fueled power plants in the Commonwealth and have offices in Harrisburg and King of Prussia. You might also find it interesting that former Pennsylvania PUC Commissioner Lisa Crutchfield sits on our corporate board, which is chaired by my fellow Marylander, Scott Helm. So, while we are Texas-based, we have roots here in the Commonwealth and the region.

I appreciate the opportunity to appear before you this morning to celebrate the 25th anniversary of the Electric Choice Act. You have heard a lot of statistics about how the competitive market has benefited the Commonwealth and, more importantly, consumers. For example, before competition, average Pennsylvania electric rates were 15% *above* the national average. Now they are about 7% *below*. Clearly, competition has benefitted Pennsylvania.

It is a great story, and Pennsylvania should be proud of its progress. But statistics hide an important part of the market that, as an electricity supplier, I would like to emphasize here. Statistics hide the human element and the consumer's perspective. Because every single one of our customers isn't a statistic, they're a single mom trying to make ends meet; a recently graduated college student starting out on their own for the first time; or a customer who recently lost their job and just needs a little extra time to pay their bill.

I like to think of the advent of electric competition as the advent of consumer empowerment in their energy usage. Competition empowered customers to change the market through the power of choice. By choosing a provider, they are voting for a value proposition that matters to them – whether that's based on price, amount of renewable energy in an electric plan, the level of service they wish to receive, or a company's reputation.

Many suggest that residential customers are only interested in price savings. For those interested in price, if we look at the offers available on PA Power Switch, the state's shopping website, you will find numerous offers *below* the utility's price-to-compare in the PPL service territory. There is a 12-month

fixed-price offer with no additional fees for almost one-cent less per kWh than the default service price. Another 12-month offer includes 100% renewable energy and is, again, priced below the price-to-compare. Price may be the reason consumers enter the retail choice market, but we know it is not the reason they stay. Competition is about more than just price.

Vistra summarizes the benefits of competition using three words: **choice, convenience, and control**.

A fundamental principle of competitive markets is the ability for the customer to **choose**. That's why we aim to develop products that resonate with customers. Like any other retail market, the reasons why customers choose the way they do is as varied as the customers themselves. And they like that power to choose. Ask any consumer what they like about a competitive market, and time and time again, they will come back to the power of choice. In fact, in a recent poll we found that 89% of Pennsylvanians either Agree or Strongly Agree that there should be choice in who supplies their electricity, just as they have choice of supplier in other retail markets.

Second, consumers want **convenience**. Meeting customers where, when, and how they want is a hallmark of competition, providing value that goes beyond the "commodity" price. Spurred by competition, competitive electricity suppliers have introduced innovations to make convenient and personalized customer experiences possible—giving consumers greater control and peace of mind, so they worry less about monthly electricity bills. Retail electric providers are experts in customer service, both online and through personal interactions. Exceptional customer service is at the foundation of our business model because we have to *earn* every customer every day.

Finally, competition is really about **control**. Who controls the choice around retail electricity service? The consumer. No longer are customers referred to as "captive ratepayers." Competition trusts consumers to know what they want and to seek out those plans and services that provide them with the best overall value. It treats each consumer as an individual, allowing them to pick the electric service that best fits their unique need. Electric competition gives control to families, individuals, and businesses to pick the electricity plan that makes the most sense for them and the way they use electricity. Many consumers like to see a visualization of their energy usage on our website or on their phones to know how they are using the product, bringing us back full circle to that power of choice.

There is, however, one area in which Pennsylvania still has tremendous growth potential: the residential customer market. According to the most recent data from the Office of Consumer Advocate, 81% of industrial electricity consumers shop for their electricity supply, purchasing it from an alternate supplier. The percentage of residential customers enrolled with a supplier is dramatically lower at only 23% .

We believe it is time for Pennsylvania to take the next step towards empowering consumers and helping them realize the benefits of the competitive market. That is why we support HB 548, sponsored by Representative Metzgar and co-sponsored by six other members of the committee, which will leverage the investment in smart meters and allow suppliers to build long-lasting relationships with their customers. Vistra believes that the implementation of supplier-consolidated billing, or SCB, combined with the rollout of smart meters, will position the Pennsylvania market to realize new levels of product innovation and, thereby, expand the customer benefits of electric choice.

SCB is not a new practice. Vistra has performed the billing function for over 15 years. In fact, we send over 2 million bills per month across our brands. And this practice is not limited to Texas. Suppliers perform the billing function in Georgia and Alberta, among other jurisdictions. In fact, the Maryland Public Service Commission recently adopted regulations to establish rules and regulations to implement

supplier-consolidated billing. SCB will now be available to all Maryland consumers for both electric and gas in early 2023.

It is true that we could bill our customers directly through the dual billing process in Pennsylvania. But then, customers would get two bills, one from us for the retail portion of their bill and another from the EDC for the wires charges. But that's an option that's not focused on the customer. How frustrating would it be if you got two bills every time you ordered from Amazon, one for the product that you bought and then another from the company that delivered the product, like FedEx? Customers prefer simplicity and getting one bill from the retailer that covers the cost of the product and delivery makes the most sense. This is how every other product category is billed—by the company from which you buy the product, whether that be Amazon, Apple, or Walmart.

So, what do customers get when retailer suppliers bill them directly? More innovation for one. In a more competitive market where the supplier is able to bill the customer, we're able to control the entire bill and offer innovative products like our *Solar Days+Free Nights* plan, where we provide 100% solar power to consumers during the day, supported by our solar farms, and then totally free electricity at night. Many stakeholders ask us why we don't offer products like this in Pennsylvania, and the answer is simple: we can only offer these plans if we're able to control the billing.

This billing arrangement also provides retailers with the incentive to be a solutions provider. Retailers have innovated to help customers mitigate up-front deposits, adopt unique product structures, and make flexible payment arrangements. But the common element underlying these innovations is the **supplier's ownership of the invoice and credit relationship with the customer.**

We agree with the Energy Association that SCB puts suppliers in the role of providing important customer services. This is the benefit of SCB. It allows the supplier to become a trusted advisor to the customer and assist in times of need. As I mentioned, outside of Pennsylvania, we send over 2 million customer bills monthly. Exceptional customer service is at the heart of our business – we help customers find the plan that best suits the way they use electricity. We also set up payment arrangements, provide voluntary bill-payment assistance programs to our customers, and proactively identify customers who may need help. With that said, it is important that both utilities and suppliers work closely to ensure a seamless customer experience, and we know this can be accomplished under SCB, as is currently being done in Maryland.

In closing, let me congratulate Pennsylvania, which for two decades now has been and remains on the national forefront of electric competition – putting the power of choice and control in the hands of consumers. Millions of customers have exercised the choice given to them by the General Assembly and you, their Representatives, are now able to lead the charge to develop innovative new products and services.

It is time for Pennsylvania to take the next step forward and implement policies that will revitalize the competitive market and enhance customer choice and additional options for residential customers. Vistra strongly believes that electric competition is a success in markets where competition is fully embraced, providing better overall value for all customers by giving them increased choice, convenience, and control.

Thank you for your time, and I look forward to answering any questions you may have.

THE VALUE OF COMPETITION

Vistra Energy believes that electric competition has been a success in markets where competition has been fully embraced, **providing better overall value for residential and business customers by giving them increased choice, convenience, and control.** Here's how:

ELECTRIC COMPETITION DELIVERS: CHOICE...

Choice is at the heart of the value of electric competition. In areas where competition has been fully embraced, customers have:

- **Choice of** how their electricity is generated.
- **Choice of** the kind of competitive electricity supplier they want, whether it's the one that offers the lowest cost, a provider who's available 24-7-365, or the one that offers free electricity during certain hours or days.
- **Choice of** the level of convenience and control associated with their electricity service.

In U.S. jurisdictions where competition has been fully implemented, approximately 50 competitive electricity suppliers vie for the opportunity to serve residential customers, offering a broad variety of plans. There are more than 300 different residential service offers in each territory, not to mention the number of companies that focus on non-residential customers or provide additional "concierge"-type services to consumers.

ELECTRIC COMPETITION DELIVERS: CONVENIENCE...

Meeting customers where, when, and how they want is a hallmark of competition, providing value that goes beyond the "commodity" price. Spurred by competition, competitive electricity suppliers have introduced innovations to make convenient and personalized customer experiences possible — giving consumers greater control and peace of mind, so they worry less about monthly electricity bills. For example, Vistra's retail business offers a mobile app in certain markets to help customers keep track of their usage, view their monthly bill, and even get alerts if they're using more electricity than planned.

Because of competition, customers can shop for a competitive electricity supplier that matches their customer service-level preference. For instance, they can pick a supplier featuring access to a live agent 24/7, or opt to potentially save money by choosing one that relies predominantly on online support. Some suppliers offer the ability for customers to interact with them through third-party products such as Amazon's Alexa. In certain jurisdictions, customers can even contract with a "concierge" service that will switch them automatically to electricity plans that meet their value criteria.

Did You Know...

- In eight states with energy choice, **nearly half of all residential customers and nearly 90% of businesses have elected to choose providers.** ^[1]
- **Nearly half** of residential consumers are interested in having the **option to utilize time-of-use rates.** ^[3]
- Also, in the Texas electricity market known as ERCOT, **a majority of product offerings include a renewable % above the statutory requirement** (over 50% of all renewable load was sourced to **voluntary** renewable products, compared to only 20-30% across the broader market) ^{[4] [5] [6]}

Did You Know...

- Among surveyed consumers, level of service and brand trust combine to **represent the No. 1 factor for remaining with a provider.** ^[2]
- **64% listed customer service as** being an extremely motivating factor for switching providers. ^[3]
- **60% of customer service interactions were online or mobile**, but strong live agent engagement remains critical. ^[2]
- **75% of surveyed customers were inclined to purchase from a company with mobile apps.** ^[2]

ELECTRIC COMPETITION DELIVERS: CONTROL...

At the end of the day, electric competition is really about control. Who controls the choice around retail electricity service: **the consumer or the utility?** Competition trusts consumers to know what they want and to seek out those plans and services that provide them with the best overall value, not just price. It treats each consumer as an individual, allowing them to pick the electric service that best fits their unique need – whether that’s finding the least frills, lowest-price plan; a plan that lets you set a budget and easily track your usage; a plan that provides community solar and third-party product integration; or a plan that is full-service, 100% renewable with on-site solar as well. Electric competition gives control to families, individuals, and businesses to pick the electricity plan that makes the most sense for them.

Did You Know...

- Usage data, conservation tips, and customized usage pricing drives stronger customer engagement with energy consumption behavior.
- Nearly 22% of residential consumers use a software app for energy management DAILY. ^[3]

ELECTRIC COMPETITION DELIVERS.

Electric competition can spur innovative, value-added services that deliver on the promises of choice, convenience, and control. It can enhance the overall value of electric service **but only if the market is allowed to move competition forward.** Restrictive generation procurement standards, regulated entities participating in the market with subsidized rates, transition mechanisms that do not expire – these all inhibit the ability of competition to reach its full potential and unleash its benefits to consumers. **Citizens have stated that they like electric choice. State Legislatures and regulatory bodies are critical to helping take competition forward.**

HOW TO DELIVER COMPETITION FORWARD:

- 1. Decide to implement a competitive electricity market.** The first step of any initiative is to make the determination to do it. Many states have already decided to take this first step and have passed laws and/or regulations making their electricity markets competitive.
- 2. Unbundle competitive services from regulated utilities.** While traditional, rate-regulated utilities have a role to play in the transmission and distribution of electricity, they must be transitioned out of the competitive parts of the market to truly unleash the value of competition. Both the generation and retail aspects of traditional utilities should be either sold or spun off to their own separate entities. Customers should not be “owned” by the utility. Only when the competitive entities fully own the risks and rewards of participation in the market can competition flourish.
- 3. Ensure transition mechanisms are transitory.** Transition mechanisms, like a transitory regulated rate, are needed to help move from a fully rate-regulated-monopoly provision of service to a competitive model. However, competition is severely hindered when transitory mechanisms become a permanent facet of the market. Transitory mechanisms must be allowed to expire if competition is to move forward.
- 4. Establish appropriate customer protections.** A competitive market provides consumers choice, but also dangers. It is critical to establish appropriate customer protections, with effective enforcement to punish bad actors and to protect those customers most at risk.
- 5. Educate, educate, educate!** While competition is part of the everyday experience in many areas, shopping for electricity is not a common practice for most consumers. Consumer education on how to shop, how to read an electric bill, what to look for in a plan, and how to measure competitive electricity supplier performance are all critical to transitioning to a fully competitive market and moving electric competition forward.

IT'S TIME TO MOVE COMPETITION FORWARD IN PENNSYLVANIA...

Pennsylvania has been a national leader in competitive electric markets, but without building on the already strong foundations the Legislature, PUC and stakeholders have built over time, the Pennsylvania market will be unable to realize the full benefits and innovation that come with electric competition. For example, Vistra Energy's retail business offers these competitive plans in other jurisdictions but are unable to provide them in Pennsylvania:



FREE NIGHTS / SOLAR DAYS

Free Nights / Solar Days provides customers a 100% renewable option as Vistra purchases solar power, along with solar and wind renewable energy credits, offsetting customers' actual usage. Customers get free electricity from 9 p.m. to 6 a.m., and solar electricity from 6 a.m. to 9 p.m. Great for consumers who want to participate in solar energy but are unable to install solar panels where they live.



FREE PASS

What is Free Pass?

Free Pass automatically gives customers free electricity on the seven days they use it the most every month, all year long. This means customers will receive almost three months of free electricity each year on their highest-use days, when savings matter the most.

Why Can't Vistra Offer these Products in Pennsylvania?

Pennsylvania has the Advanced Meter Infrastructure (AMI) needed to enable these products but retail suppliers need Supplier Consolidated Billing to enable them to provide truly free electricity (i.e., no supplier or utility charges).

Other Offerings Vistra's Retail Group Provides

Vistra also has offers that provide value-added services, such as: cash back, energy-efficiency rebates, charitable contributions, warranty services, and solar buy back, among others. Vistra also has one of the largest privately-funded energy assistance programs in the U.S. for our customers who need assistance paying their electric bill.



Let's move **Competition Forward** in Pennsylvania so that innovative and value-added plans like these can be available to customers in the Commonwealth by implementing:

Supplier Consolidated Billing (SCB)

SCB allows the retail supplier to consolidate all electricity costs onto one bill (including utility costs) and invoice the customer directly. The customer then pays the retail supplier directly while the retail supplier is responsible for paying the utility for their billed costs. Additionally, SCB will provide consumers and the Commonwealth with additional benefits, including;

- Increases Innovation: When suppliers "own" the customer relationship they seek innovative ways to win and retain them.
- Encourages conservation: Suppliers can provide increased data to consumers on how they consume electricity and help them use less
- Reduced costs to EDCs: With billing moved to the supplier, EDC costs are reduced by moving the customer relationship to where it should be, with the customer's supplier of service.

Billing Practices in Pa.'s Retail Electric Market Disadvantage Consumers

Why should buying electricity in a competitive retail market be so different from purchasing other goods and services?

As a consumer, when you order online or shop in store for home delivery, do you pay the U.S. Postal Service, UPS or FedEx for your product? No, you pay the retailer directly for the product, and the retailer pays and coordinates for delivery of the product. **You pay one bill with the shipping charges included.**

Your electric bill should be no different, right? Wrong. In Pennsylvania's retail electric market, the billing process is reversed. **Instead of paying the retail supplier for your electricity, you pay the utility that ships the product to your house.**



ONLINE



IN-STORE



RETAIL ELECTRIC SUPPLIERS



Benefits of Supplier Consolidated Billing

INCREASES INNOVATION

When the customer is in charge by having a choice, suppliers seek innovative ways to win and retain them.

REDUCES COSTS TO ELECTRIC DISTRIBUTION COMPANIES (EDCS)

With billing moved to the supplier, EDC costs are reduced by moving the customer relationship to where it should be, with the customer's supplier of service.

ENCOURAGES CONSERVATION

Suppliers can provide increased data to consumers on how they consume electricity and help them use less.



TXU Energy Aid

*Texans who need a hand with their electricity bills can lean on TXU Energy AidSM.
We've provided bill payment assistance to our customers for over 35 years.*

HOW WE'VE HELPED

35+ YEARS

*Supporting our neighbors
in need for over 35 years.*



**\$110+
MILLION**

*Providing over
\$110 million in
bill-payment
assistance for
nearly 560,000
Texans.*



**20,000
CUSTOMERS**

*Helping 20,000 families a year keep their
homes powered and safe each year.*



*Taking care of
Texans through
one of the
largest electricity
assistance
programs in
the country.*

80 AGENCIES

*Working with
80 social service
agencies across
Texas.*

\$4 MILLION

*Giving back an additional \$4 million
per year through TXU Energy.*



100%

*Ensuring 100% of funds go to
our customers in need.*

