



September 12, 2023

Rep. Robert F. Matzie, Chair
Rep. Jim Marshall, Republican Chair
House Consumer Protection, Technology & Utilities Committee
House of Representatives
Pennsylvania General Assembly

Dear Chair Matzie, Chair Marshall, and members of the House Consumer Protection, Technology & Utilities Committee:

On behalf of its membership, the Retail Energy Supply Association (“RESA”)¹ offers this written testimony in **strong support** of one measure before the House Consumer Protection, Technology & Utilities Committee (“Committee”) today: House Bill 1578, sponsored by Representative Mullins.

RESA is a non-profit organization and trade association that represents the interests of its members, who are active participants in the competitive retail markets for electricity in New England, New York, the Mid-Atlantic, and the Great Lakes regions. As such, RESA is a broad and diverse group of 16 retail energy suppliers dedicated to promoting efficient, sustainable, and customer-oriented competitive retail energy markets. Several RESA member companies are licensed by the Pennsylvania Public Utility Commission (“PUC”) to serve residential, commercial, and industrial customers in Pennsylvania and are presently providing electricity service in the Commonwealth.²

Retail Energy Supply in the Commonwealth

As the Committee is aware, for most of the 20th century, homeowners, businesses, and industrial manufacturers had only one choice when it came to purchasing electricity and natural gas for their homes, businesses, and factories. That sole source option was largely the result of policy determinations that it was more efficient, and energy consumers would benefit from economies of scale, if the retail sales of electricity and natural gas were made by utilities with monopoly-protected service territories at regulated rates. Utilities were provided rates that guarantee they recoup their investment and earn a reasonable profit as determined by state regulators.

¹ The comments expressed in this testimony represent the position of RESA as an organization but may not represent the specific views of any of its individual members. More information on RESA and its members can be found at www.resausa.org.

² RESA members currently licensed in Pennsylvania include AEP Energy, Aggressive Energy, APG&E, Calpine Energy Solutions, CleanSky Energy, Constellation NewEnergy, ENGIE Resources, Freepoint, IGS Energy, Just Energy, NextEra Energy Services, Shell Energy, Spark Energy, and Vistra Energy.

Over time, however, economists and energy policy experts concluded that monopoly-protected price regulation was an inefficient model that needlessly imposed additional costs on consumers, and instead began to realize that consumers would be better served if regulated industries were exposed to competitive forces providing strong incentives for efficiency and cost savings.

Beginning in the 1990s, the federal government acted to inject competition into markets for wholesale power production and bulk sales of electricity. At the same time, many states, including Pennsylvania,³ acted to end monopoly protections for retail sales of electricity and natural gas. Gradually, competitive wholesale power markets overseen by large regional grid operators – like PJM – were enabled by federal regulation.

Today, consumers in more than a dozen states benefit from retail energy competition. Retail energy customers who opt to participate in competitive supply receive a bill for electricity that consists of three main costs: (1) transmission (electricity) or transportation (gas), (2) distribution, and (3) commodity supply (which is typically the largest contributor to the ultimate price customers pay). In states that allow customer choice for electricity and natural gas, the pipes and wires that deliver the energy to retail customers (the transmission/transportation and distribution costs) are still owned and operated by traditional monopoly-protected utility companies. Those costs are still price regulated, and the utilities receive rates reflecting their costs plus a reasonable profit. The utilities are also able to recoup any costs from ratepayers, unlike retail energy suppliers that do not have guaranteed rates of return.

It is the energy commodity – electricity or natural gas – that is competitively priced. In states with retail competition, such as the Commonwealth, the vast majority of residential customers still receive one bill for their electricity and natural gas, but they have a choice of competing retail energy suppliers vying for their business. This is driving both economic value for the customer's energy dollar and also innovation in pricing and services that did not and does not occur under monopoly-protected price regulation.

RESA and its members hold fast to several core principles that are critical to understanding the place of retail energy markets. RESA holds that competition, not regulation, is the most effective means for efficiently allocating resources, similar to the market dynamics for other goods and services. RESA members maintain that competition among retail companies brings benefits to consumers that are not readily provided through traditional utility regulation. These benefits include the setting of efficient prices, the development of innovative products and services, and the ability to efficiently meet clean energy policy objectives. In order for competition to be effective, all consumers must be afforded the right to shop for competitively priced energy products and services, just as they shop for other products and services.

Pennsylvania Consumers Want Choice And Benefit From It

The demand for retail energy competition is evident in Pennsylvania, as demonstrated by the 1.2 million residential customers⁴ who were being served by a retail electricity supplier as of July of this year. The percentage of commercial and industrial load served by retail electricity suppliers

⁴ Pennsylvania PUC, "PAPowerSwitch Monthly Update," July 2023, https://www.papowerswitch.com/media/uxlhzera/paps_numbers073123.pdf

is even higher – 72.7% of commercial load and 95% of industrial load. On the gas side, according to quarterly data collated by the Office of Consumer Advocate, 332,417 residential gas customers were served by a retail gas supplier as of July 1. Additionally, this on-the-ground data coincides with RESA’s National Survey in 2020,⁵ which said 74% of consumers want the ability to select their energy supplier.

Additionally, RESA’s own monthly market savings reports, based on data from the PUC’s PAMPowerSwitch website, show significant cost savings were available in August for consumers shopping for the best deal for electricity. Our calculations indicate Pennsylvania consumers could have saved more than \$258 million in July 2023⁶ and benefited from a wide range of value-added products and services by switching to competitive suppliers.

Strong Support for House Bill 1578

While RESA believes that the competitive retail market has been a successful value creator for customers, we recognize that improvements can be made to ensure the marketplace continues to operate effectively while also protecting the rights and interests of consumers.

With this in mind, we wish to express our strong support for House Bill 1578, sponsored by Representative Mullins.

We believe the bill addresses two areas in which improvements are needed to both reduce the opportunity for bad behavior by rogue actors as well as ensure that ignorance of the Commonwealth’s laws and regulations are not an excuse that can be offered by a retail supplier.

First, while door-to-door selling is an effective channel and a significant opportunity to present valuable offers to consumers, we acknowledge that there have been issues with this approach, particularly when unscrupulous companies uninterested in building long-term relationships with customers are involved. The bill would set a high standard for retail suppliers that want to market to customers using a door-to-door campaign by requiring these companies to post a \$1 million bond, in addition to the other financial security suppliers must post with the PUC and the utilities. This new requirement would have the immediate effect of deterring “fly-by-night” operators from using door-to-door campaigns. Incidentally, this would also put Pennsylvania in the pole position on door-to-door security requirements among all states with retail energy markets.

Second, the bill requires all agents to go through a PUC-designed training program to ensure that ignorance of the rules is no excuse for any potential violations. At the conclusion of the program, a designated representative of each supplier must demonstrate through an online exam that he or she has a thorough understanding of the PUC’s regulations regarding sales, consumer protection and any other matter the PUC deems appropriate. This representative will also have to attest that they have informed and educated all employees of the supplier who are engaged in any aspect of acquiring and maintaining a retail customer base. Additionally, the cost of this program will be

⁵ Ragnar Research Partners, RESA-commissioned survey, <https://www.resausa.org/resas-survey-of-americans-finds-74-of-consumers-want-to-select-their-own-energy-supplier/>

⁶ RESA, Pennsylvania Market Savings Report for July 2023, https://www.resausa.org/wp-content/uploads/2023/08/Pennsylvania-MSR_July2023.pdf

borne by retail suppliers through their existing annual assessment, or a special fee assessment developed by the PUC.

Leadership Role of Pennsylvania

Through the careful, thoughtful work of the General Assembly and the PUC, Pennsylvanians enjoy a competitive retail energy market that is held as a gold standard across the nation. The PAPowerSwitch and PAGasSwitch websites are second to none in terms of providing the consumer with valuable information on how to shop, what to look for in a supplier's contract, and the pricing and added products and services available. The educational efforts of the PUC and the Office of Consumer Advocate have helped consumers understand their choices and feel confident in exercising them. With the authority provided to it by the General Assembly, the PUC has balanced incentivizing suppliers to enter the market while also providing appropriate oversight and discipline. As a result, Pennsylvania is always brought up by stakeholders in other markets as an example of a state where choice is working and working well.

Today, we are recommending some additional tools be provided to the PUC to ensure that it continues to be in the vanguard when it comes to consumer protection and market innovation. We recognize that the competitive energy market is not perfect, just like other markets in consumer goods and services are imperfect. Keeping bad actors out and welcoming good actors in will help ensure the retail market can deliver the proper consumer protections, innovation, economic benefits, and consumer value, to the citizens of Pennsylvania.

Thank you again for the opportunity to present testimony before you today in strong support of House Bill 1578. RESA looks forward to continued opportunities to discuss the promise of retail energy choice with the Committee.

Sincerely,



Frank Caliva
National Spokesperson
Retail Energy Supply Association