



New York Utility Regulators Take Bold Action to Protect Customers From Third-Party Electric Suppliers

On February 23, 2016, the New York Public Service Commission (NY PSC) issued an [“Order](#) Resetting Retail Energy Markets and Establishing Further Process,” which would require offers from retail electric suppliers to residential and small business customers to either guarantee savings or include significant renewable energy content (30% renewable). The NY PSC based this ruling on the need to “immediately address unfair business practices” and the continued receipt of a “large number of complaints from ESCO customers about unexpectedly high bills.” (In New York, third-party, non-utility electric suppliers are referred to as electric service companies or “ESCOs”). To fulfill the savings guarantee, which would operate on an annual basis, retail suppliers would need to refund at the end of a calendar year the difference between the amounts paid to the ESCO and the amount the customer would have paid to the utility if it remained on utility generation supply service.

The NY PSC Order follows in the wake of a searing article about electric supplier marketing practices from the New York City-based Village Voice. The February 2, 2016 [Village Voice piece](#), entitled “Why is Albany Letting these Energy Companies Scam Thousands of New Yorkers,” discussed how suppliers are taking advantage of customers with limited English language skills, seniors, and other residential customers by creating confusion, offering short-term savings (if that) and then raising bills as much as three times higher than the utility price.

The Village Voice article stated that the PSC, while aware of problems, “failed to cut down abuses, but actively and aggressively – and perplexingly – promotes the growth of the residential ESCO market.” Perhaps in response to the fundamental question raised by the Voice -- why is this industry being promoted when it so often leads customers to pay higher prices, and in some cases, leads to actual abuse -- the PSC took the action in the February 23 Order.

It is notable that enforcement of the February 23 Order has been stayed by a New York court pending appeal of the Order by various ESCOs. A hearing on the appeals is scheduled for May 5.

Meanwhile, legislation in Connecticut and decisions of the Public Utilities Regulatory Authority (PURA), including investigation proceedings of retail supplier marketing practices, have reduced, though not eliminated, customer complaints about their dealings with electric suppliers. OCC has been active in helping to suggest and develop legislation governing the industry and in the PURA proceedings. However, OCC’s research continues to show that most customers end up paying more over the long run when they switch, as initial, short-term savings are quickly reversed when the initial contract terminates. In fact, our research has revealed that customers pay millions of dollars more in the aggregate to electric suppliers than if they stayed on utility standard service. OCC continues to work with PURA and legislators, and participates in PURA “Supplier Working Group,” in an effort to identify and implement additional consumer protections in this market.



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