

ENERGY SUPPLIER CONTRACTS WHAT CONSUMERS NEED TO KNOW ABOUT VARIABLE RATE CONTRACTS

OPC recommends that you exercise caution if you are thinking about variable rate contracts

ASK YOURSELF: Can I afford to pay for potentially large increases in my monthly bill?

CHECK OUT the following FACTS to see if a variable rate contract is right for you

- Energy suppliers offer both fixed rate and variable rate contracts
- The supply portion of the bill is about 2/3 of your entire bill
- Fixed rate contracts allow you to compare the supplier offer to the utility supply rate (SOS) and fixed rate offers from other suppliers
 - Examples: 9.6 ¢/kwh (Electric) or 50 ¢/therm (Gas)
 - Check out OPC's Price Comparison Guides at www.opc.maryland.gov
- Variable rate contracts can be HIGH RISK for consumers
 - **Winter 2012-2013:** Starion Energy charged Maryland consumers up to double the SOS rate and rates of most other suppliers “based on market conditions.” The “conditions” driving the increase were in the New England wholesale market, not in Maryland
 - **Winter 2013-2014:** Suppliers charged Maryland consumers 2 – 4 times the utility supply price (SOS), up to 48 ¢/kwh. Consumers' bills skyrocketed. The penny or two per kwh that may have been saved was swallowed by the 10, 20 or 30 cents per kwh additional that customers paid during those months
 - Suppliers often have low initial rates followed by variable rates
 - A penny or two per kwh can look good in the fall, but you may pay the price with a high variable rate in the winter
 - OPC has seen the rates go up from a “teaser” rate, but has not seen the rates go down
 - Almost all suppliers charge what they want month to month
 - There may be no transparency in how the rate is calculated

- The contracts may have no formula or index, or restriction on increases in the rate
 - **NEW RULE:** If there is no limit on rate changes, the supplier must disclose this in the contract
 - **NEW RULE:** If there is a limit on rate changes, such as a price cap, the supplier must disclose this in the contract
- **Current:** If the rate goes up, it may take 2 or more months to cancel the contract and switch to the utility or another supplier
- **NEW RULE:** After 12/30/2016, electric utilities will have to process switches within 3 business days; gas utilities also will have to switch faster