

Joint Committee on Telecommunications, Utilities and Energy
24 Beacon St.
Rooms 43 and 312-B
Boston, MA 02133

Green Energy Consumers Alliance
284 Amory St.
Boston, MA 02130

June 11th, 2025

Dear Chairs Cusack and Barrett,

Thank you for providing the opportunity to comment in-person on June 4th in support of H.3534/S.2255 *An Act relative to electric ratepayer protections*. I wanted to follow up with written testimony in order to elaborate on my oral comments on the Purchase of Receivables system and to respond to the testimony given by those supporting the third-party electric suppliers.

This testimony is broken down into the following sections:

1. The Purchase of Receivables System
2. The AGO's Reports on Third-Party Suppliers
3. CleanChoice Overcharges for "Clean" Energy
4. Flaws in NRG's Recent Report

As these sections outline, third-party suppliers harm residential customers, both in Massachusetts and in other states, and should therefore be prohibited from signing contracts with residential customers.

How the Commonwealth's Purchase of Receivables System Incentivizes Third-Party Suppliers to Overcharge Customers and Increases All Eversource, Until, and National Grid Residential Electric Rates.

According to the Department of Public Utilities, at the beginning of 2021, hundreds of thousands of residential customers of investor-owned utilities were in arrears on electricity bills worth hundreds of millions of dollars.¹ Those getting their power supply from third-party suppliers were struggling the most and were more likely to be behind on their bills than either basic service or aggregation customers.

¹ These numbers were pulled outside of any rate case. I received them by email from Jenifer Bosco at the National Consumer Law Center.

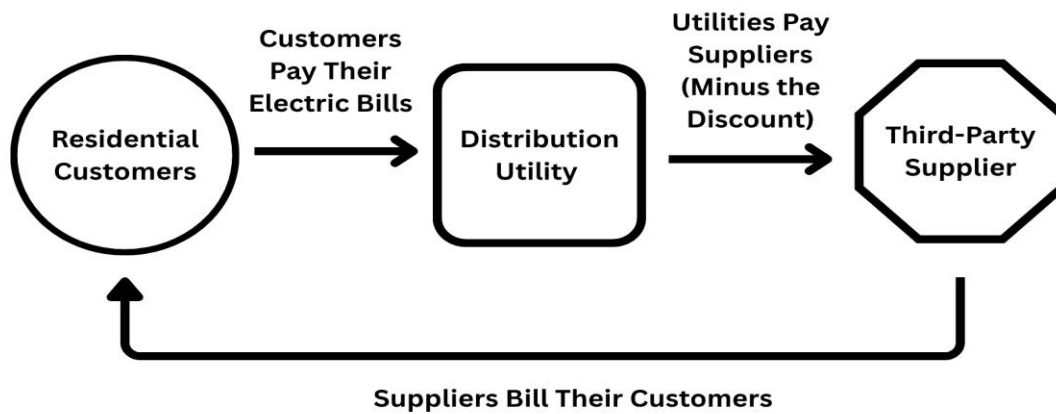
Supplier Type	# of Accounts	# of Accounts in Arrears	% of Accounts in Arrears	Total Arrears	Total Arrears/Accounts
Basic Service	1,184,835	253,903	21.43%	\$220,202,982	\$186
Third-Party Suppliers	493,783	131,243	26.58%	\$187,885,879	\$381
Aggregation	731,227	119,482	16.34%	\$107,937,082	\$148

Unsurprisingly, the situation was even worse when looking at only low-income customers, as can be seen below.

Supplier Type	# of Accounts	# of Accounts in Arrears	% of Accounts in Arrears	Total Arrears	Total Arrears/Accounts
Basic Service	132,885	55,705	41.92%	\$66,199,929	\$498
Individual Supply	87,533	41,205	47.07%	\$84,936,705	\$970
Aggregation	57,166	23,045	40.31%	\$29,945,094	\$524

So here is a question, if a large number of third-party supply customers are not able to pay their bills, how do suppliers make money? Don't low-income customers present a risk to the supplier because they may not be able to pay their electric bill?

The answer to that question is no, because since 2014, Massachusetts has had a Purchase of Receivables (POR) system, under which the distribution utilities act as a middleman between customers and third-party suppliers. When a customer of a third-party supplier pays their electric bill, it's their distribution utility that collects the money, and it's the utility that actually pays the third-party supplier for the electricity they sold to the customer.



Now, there is nothing inherently wrong with a POR system, in fact these systems make it [easier for municipal aggregation programs to function](#) and they prevent suppliers from directly trying to collect from their customers. The problem is that Section 1D of Chapter 164 which created our POR system is deeply flawed.

That section requires utilities to pay third-party suppliers the amount the supplier's customers owe them, minus a percentage discount equal to the percent of electric bills that are not paid by all residential customers of that distribution utility (the discount rate is also used to help the utility pay the administrative cost of setting up and running the system, but that is not a large factor).

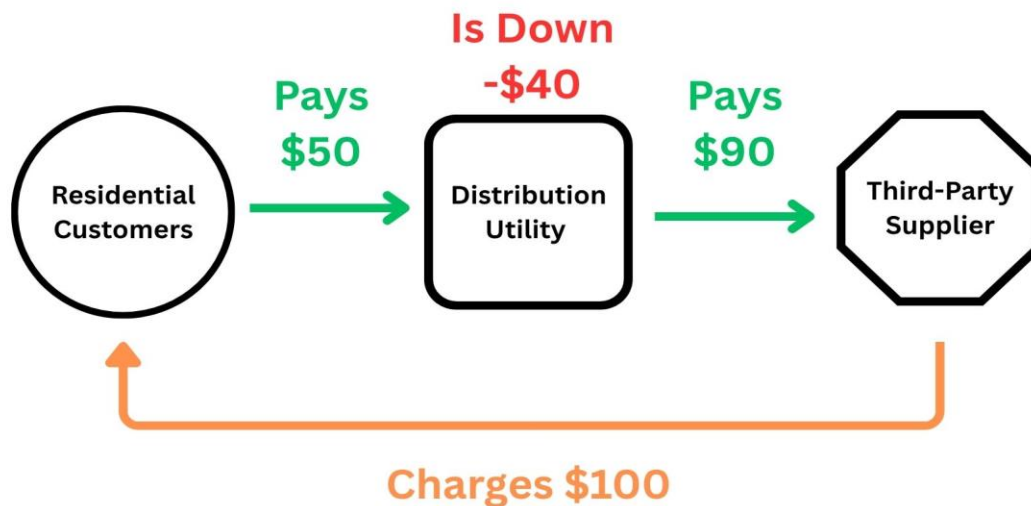
That means a supplier will make, roughly, 98 cents for every dollar they charge their customers. This is regardless of whether 100% of the supplier's customers pay their bills or 80%, or 50%. Under the POR system, it is irrelevant to a supplier's bottom line if their customers can pay their bills. This creates a moral hazard.

This system's shifting of risk away from suppliers has also been acknowledged by the suppliers themselves. In a *Utility Dive* opinion piece, Travis Kavulla, vice president of regulatory affairs at NRG Energy, one of the biggest third-party electric suppliers in the country, wrote:

*"...there is a seminal question of utility regulation: who bears the risk? In a world where utilities do all the billing, they assume the receivables of suppliers and are responsible for making collections from customers. The risk of customer non-payment gets socialized to everyone else."*²

² Kavulla, T. (2022, March 7). *Supplier-consolidated billing: A tool for innovation and accountability in retail energy markets*. Utility Dive. <https://www.utilitydive.com/news/supplier-consolidated-billing-a-tool-for-innovation-and-accountability-in/619867/>

To demonstrate the problem, you can imagine a POR system with a discount rate of 10%, a third-party supplier that bills its customers \$100 and customers who can only pay \$50 (these numbers are deliberately unrealistic).



In this example the supplier has made the same amount of money they would have made had all of their customers been able to pay their bills, but the distribution utility has lost \$40. This is because the percentage of third-party supply customer bill value that went unpaid was above the system's 10% discount rate.

This system is why third-party suppliers can go after low-income customers and why they can charge such exorbitantly high rates. As long as they can replace their customer base, these suppliers have every financial incentive to squeeze their customers as hard as possible, even if it puts some customers into debt that will eventually have to be written off.

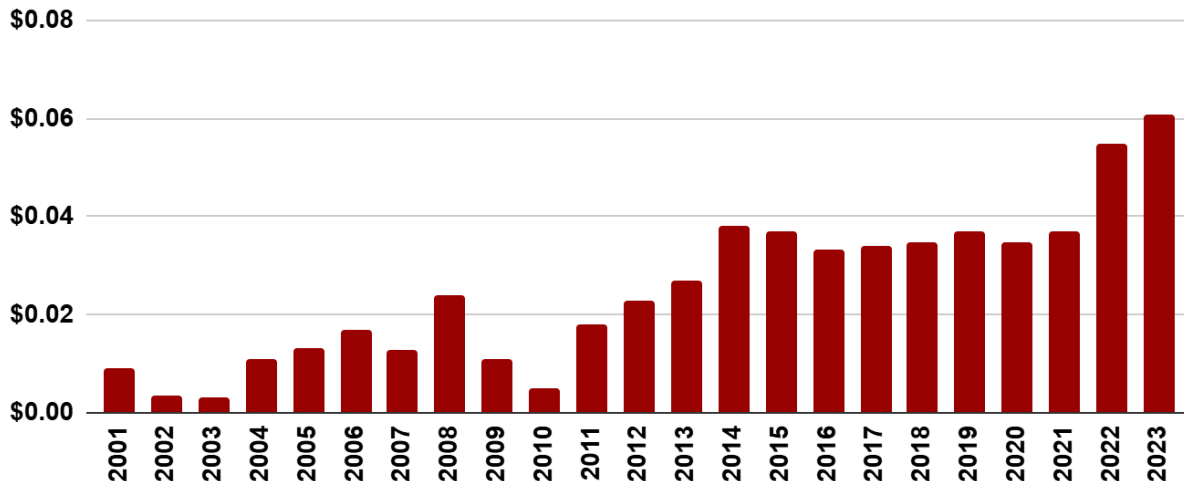
One area where it is possible to see the impact of this is Rhode Island, whose PUC adopted a POR system based on Massachusetts's which went into effect in mid-2022. This change coincided with the cost difference between utility and third-party residential supply rates increasing by 144%, from 2.9 to 7.1 cents per kWh, between 2021 and 2023.³

³ This is according to EIA Form 861 which is a mandatory annual survey carried out by the federal Energy Information Administration and answered by utilities, plant owners, and others active in electricity markets. Unfortunately, EIA Form 861 treats third-party supply and municipal aggregation as if it were the same thing. This means the long-running presence of municipal aggregation in Massachusetts' electric market makes producing similar information on the impact of our POR system challenging.

Another state that introduced a Purchase of Receivables system was Maryland, whose program went into effect in mid-2009. Like Rhode Island, the years after the system's introduction saw an increase in the price differential between utility and third-party supply rates.

Premium of Avg. Third-Party Supply Rates vs. Utility Supply in Maryland per kWh

Based on data from EIA Form 861



Not only does an ill-constructed POR system incentivize suppliers to behave in a more predatory manner, but they can also increase everyone's electricity bill. This is because it is not ultimately the utilities who pay for this system; it's every single residential customer of National Grid, Unitil, and Eversource that picks up the tab as part of the distribution section of our bills.

At this time, it is unclear how much residential ratepayers are giving to third-party suppliers through our flawed system. While in the early years of the POR system, the Department of Public Utilities did collect data on how much suppliers were billing versus how much their customers were paying; it no longer does so.

However, those early POR dockets do show that even relatively shortly after the system's launch there was a gap between what suppliers were billing and what their customers were paying. In Docket 15-POR-1, National Grid stated that at the end of 2014, \$3.36 million dollars' worth of residential third-party supply customer bills, which were now on the utility's books, were more than 120 days in arrears, another \$1.13 million were more than 90 days in arrears, \$1.29 million were 60 days in arrears, and \$2.25 million were 30 days in arrears.

The simplest solution to the problems created by our POR system (and the many other problems created by third-party suppliers) is to ban third-party suppliers from signing contracts with residential customers as proposed by H.3534 and S.2255.

Short of that, another possible solution to the issues created by our current POR system is to reform Section 1D of Chapter 164 as is proposed in Section 15 of H.4144, *An Act relative to energy affordability, independence and innovation*. However, while the language in Section 15 would be a great improvement over what is currently in Section 1D, we do think that it could be improved by adding language to ensure municipal aggregation programs stay under the current POR system and requiring the Department Public Utilities to charge a supplier-specific discount rate instead of just allowing them to do so.

The AGO's Reports Undercount the Harm Done by Third-Party Suppliers

While the Office of the Attorney General has done invaluable work by highlighting the financial harm caused by third-party suppliers through their reports, those reports have undercounted the amount third-party suppliers have increased residential electric rates.

This is because the AGO's reports treat residential customers as if they are either buying electricity from their utility or from a third-party supplier. As municipal aggregation programs become more common, and as they continue to offer cheaper power on average than basic service, this method of calculating the financial harm done by third-party suppliers has become increasingly inaccurate.

[A report by the Applied Economics Clinic](#), which took into account municipal aggregation, found that during a two-year period between July 2021 and June 2023, third-party suppliers increased residential electric rates by \$211.6 million dollars. This was roughly four times the AGO's estimate of that two-year period of \$51.8 million.

The Applied Economics Clinic also found that, if municipal aggregation rates were considered, third-party suppliers did not save residential customers money in the year between July 2022 and June 2023, as reports from the AGO's office have stated. This is because municipal aggregation programs often sign multi-year power supply contracts, and this proved to be effective at insulating many residential customers from the high electric market prices seen in late 2022 and early 2023.

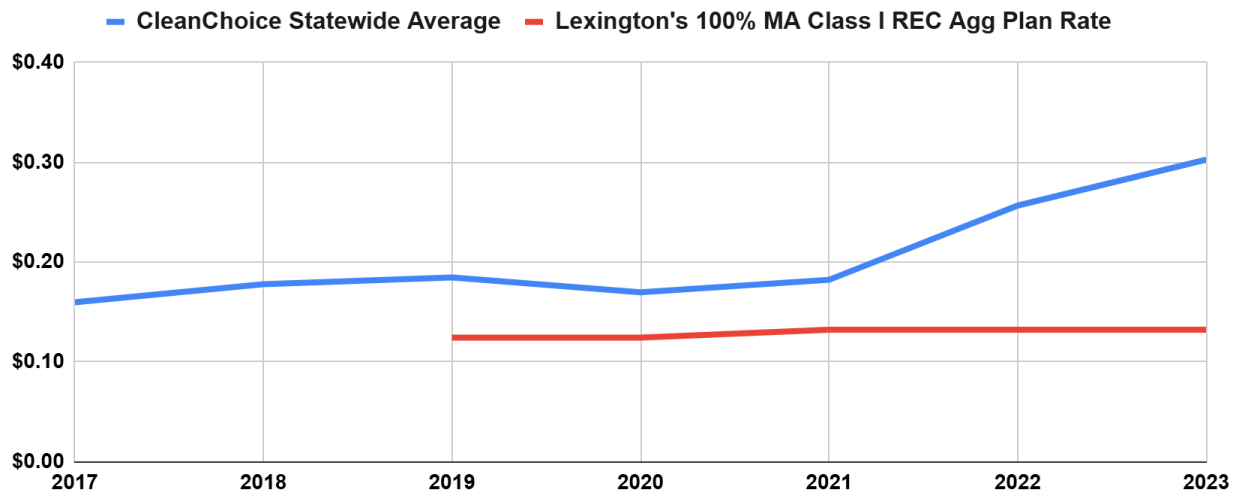
As more towns start their municipal aggregation programs, the case against allowing third-party suppliers is likely to only become clearer.

CleanChoice's High Prices Cannot be Explained by the Fact They Sell a "Green" Product

As was discussed in the June 4th hearing, CleanChoice markets itself as premium product for people who want to protect the environment by supporting renewable energy, and they charge premium prices. In 2023, they charged their customers \$22.9 million more dollars than those customers would have paid had they been on the average default supply rate. This made

CleanChoice responsible for 21.7% of the total overcharging done by suppliers in that year [according to our analysis](#).

But, as the graph below shows, according to DPU filings, Lexington's municipal aggregation program has been able to offer its residents the ability to buy 100% green power at a much lower price per kWh.



Buying or supplying the renewable energy credits (RECs) needed to prove a supplier is selling green electricity does cost money and will result in higher rates, however the markup CleanChoice is putting on its power is well above what can be explained by that additional cost.

[As a report by our organization shows](#), many municipal aggregation programs have been able to offer lower-carbon electricity with Massachusetts Class I RECs at prices below basic service rates and those offered by competitive electricity suppliers.

CleanChoice, rather than advancing the transition to clean energy, is harming it by taking advantage of the people's desire to fight climate change in order to overcharge them for electricity.

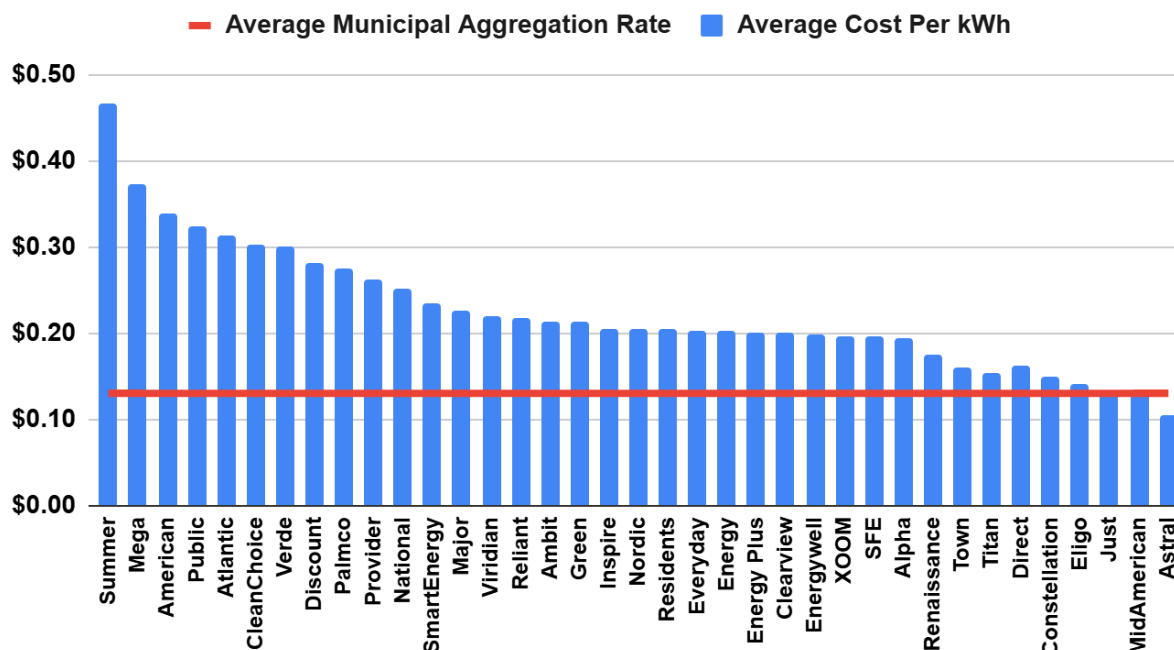
One final note is that municipal aggregation programs must state in their annual filings to the Department of Public Utilities what kinds of RECs are being used to justify their green energy claims. That brings a level of transparency to these programs lacking from CleanChoice, and other third-party suppliers who can, and do, [buy cheap renewable energy credits from other regions of the country](#); something that does nothing to help the Commonwealth improve its air quality or meet its climate goals.

NRG's Report is Deceptive by Combining Municipal Aggregation and Third-Party Electric Supply

In *Massachusetts Electric Choice Empowers Consumers to Navigate Volatile Energy Markets*, the firm Intelometry, working for the third-party supplier RNG, attempts to defend retail choice.

However, that report's treatment of third-party supply and municipal aggregation data as interchangeable eliminates any value the report could provide.

Looking at municipal aggregation filings for the Department of Public Utilities and 2023 Energy Information Administration data shows the stark contrast between aggregation and third-party supply. In 2023, municipal aggregation programs charged residential customers an average of 13.1 cents per kWh, while the average third-party supplier customer was paying 19.8 cents per kWh. Further, only one, very small, third-party supplier had an average price below the average municipal aggregation price.



Treating these two very different products as interchangeable undervalues the benefits of municipal aggregation while hiding the failure of third-party suppliers to sell customers power at a reasonable price.

Conclusion

The residential third-party electricity market is an idea that has not only failed to benefit customers, but through the Purchase of Receivables system, increased the electric rates of all Eversource, National Grid, and Unitil residential customers.

Further, any minor benefit the market has shown itself able to occasionally provide, such as greener energy or price hedging during spikes in the cost of basic service, is done better by municipal aggregation programs. As municipal aggregation becomes more common, it becomes even harder to justify allowing third-party suppliers to sell directly to residential customers.

Sincerely,

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