# SUPPLIER CONSOLIDATED BILLING

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In more than a dozen states, customers have the choice of choosing their retail electric provider. In these states, an electric customer will receive services from two separate entities, a competitive supplier who is responsible for providing the electricity used by the household, and a local utility that provides delivery services over its poles and wires. An important issue in these markets is who has the responsibility for billing the customer.

### Billing Options

In competitive energy markets, there are multiple ways in which customers can be billed for electricity services. First, customers can receive a single bill from their utility that includes both charges from the utility and from their retail service provider. This is known as utility consolidated billing (UCB). Alternatively, customers could receive a single consolidated bill from their competitive electric supplier that also includes utility charges. This is known as supplier consolidated billing (SCB). Most competitive states currently have opted for UCB, the main exception being Texas (Georgia also uses SBC, but for natural gas). But there is a growing understanding of the benefits SCB can have in promoting well-functioning competitive energy markets.

### Advantages of SCB

SCB offers several advantages. Most importantly, it establishes a direct relationship between supplier and customer, which can build the brand image and trust necessary to help customers distinguish between one supplier and another. SCB also allows suppliers to display a wider variety of services to attract customers more easily. For example, a supplier might offer a "bundled" product that includes electric service and loyalty rewards or cash back, value added services such as home security, more flexible payment options, time-of-use products or other services.

Making suppliers responsible for billing also professionalizes the competitive retail market. It takes a lot to bill customers, process payments correctly, run the associated customer service desk and manage the financial risk associated with all these tasks. SCB can help to weed out disreputable and thinly capitalized suppliers whose main business is convincing customers to sign up for their product—without much subsequent effort to distinguish themselves or offer real services to their customers.

Several states are currently experimenting with SCB pilot programs. Maryland is in the process of enabling SBC as a billing option, and is in the middle of a multi-year process of deciding on the specifics of rules that will allow SCB to be used by competitive suppliers. Most recently, in mid-December, Maryland's Public Service Commission (PSC) provided direction on important details of SCB.

### Issues with Regulating SCB: A Maryland Case Study

Maryland's experience demonstrates the importance of structuring SCB in the right way to maximize impact and to minimize unintended consequences. While Maryland has moved in a generally positive direction, some of the specifics of Maryland's initial proposal would prevent SCB from becoming successful.

The first has to do with what happens when there is non-payment by the customer. In Texas, where suppliers handle all billing and collections activity, suppliers have the ability to disconnect service for non-payment—just as utilities do in jurisdictions where they manage billing. In the Texas market, suppliers face financial losses for every dollar of a customer's bill they do not collect, regardless of where that cost originated. Maryland PSC has taken a different, more convoluted approach. Suppliers who use SCB would be eligible for reimbursement by the utility for the unpaid poles-and-wires charges if a customer does not pay; the utility then would socialize those uncollectible costs to all its customers. Suppliers' charges, however, would not be reimbursable.

In addition, the Maryland PSC's December 2020 guidance also directed that suppliers be paid last for their costs on any partial payment customers might make. Perversely, this all or nothing approach limits the ability of suppliers to find ways to salvage the relationship with a delinquent customer through a payment plan or other mechanism. Why would a supplier do what should be expected of an electric company—arrange for a payment plan—if any outcome is going to leave them bearing all of the unpaid costs? Indeed, why would a supplier elect to use SCB in the first place, when UCB insulates them from more business risk, and also doesn't involve the hassle of taking responsibility for billing and customer service?

Further, the Maryland proposal would require that the bill from the supplier contain substantial amounts of information from the utility. While it makes sense to include the utility service number for emergencies and outages, the purpose of SCB is to limit customer confusion and create a center for customer service with the competitive retailer. The presence of rival customer service information creates confusion about who the bill is from and who is responsible for what services.

Finally, under the existing proposal, suppliers would have to turn over to utilities full electronic access to the detailed information about their products and customers found on each customer's bill. This is deeply inappropriate, given that the utilities themselves operate as a default service provider, and thus are competitors with the suppliers.

## Conclusion

The purpose of adopting SCB is to help the market for retail electric competition development. In Maryland, SCB as proposed would exist alongside UCB, which would continue to be an option for competitive retailers. Maryland accordingly risks setting up SCB to be a dead letter the moment it is implemented if its design is more punitive than UCB. Restrictions or requirements that confuse the role of supplier and utility or that limit the flexibility of the supplier in offering a diverse set of products to customers are ultimately self-defeating.

## CONTACT US

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