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Business



Think you aren't vulnerable to a Texas-sized electric bill? Here's how to check.

The culprit is variable-rate power contracts that some customers signed up for from third-party energy suppliers. Many customers are unaware they signed up for a variable rate until it's too late.

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A Peco worker installs an electric meter.
MICHAEL S. WIRTZ / File Photograph



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Let's say you live in Texas and were fortunate not to lose power during the recent winter storm outages. Then, Shazam!, the [electric bill arrives](#). So much for good fortune. Your energy supplier wants to be paid thousands of dollars to cover your share of the winter wreckage on the Lone Star State's electric markets.

That couldn't happen here in the Mid-Atlantic region, right?

It already did.

The culprit is variable-rate power contracts that some customers signed up for from third-party energy suppliers. Many customers are unaware they signed up for a variable rate — where the price of power can skyrocket during a bad storm — until it's too late.

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Here's how you can learn in about five minutes whether your household is vulnerable, and what you can do about it.

What is a variable-rate contract?

In Pennsylvania, New Jersey, Delaware, and other states, retail customers can choose to get their energy from a competitive supplier rather than the local utility. A variable-rate contract prices the power according to market conditions — unlike a fixed-rate deal that sets the price for the term of the contract.

Variable rates can [change, by the hour, day, month](#), according to the terms in the supplier's disclosure statement. They can go down or up.

Often a variable rate will be initially priced slightly less than a fixed-rate supply deal or a standard offer from the local utility company. But when demand for electricity soars during extreme weather conditions — hot summers or cold winters — and energy is in short supply, variable-rate contracts can be very bad deals.

What happened in Texas can't happen here, can it?

In January 2014, a massive winter of [Arctic air called a polar vortex](#) rolled across the Midwest and Northeast. Energy demand soared, and power plants shut down — frozen stiff or forced to curtail because natural gas was diverted for residential use. All fuels were in short supply — propane, heating oil, natural gas. Even the price of municipal trash consumed as fuel in waste-to-energy incinerators rose.

The impact was severe on PJM Interconnection, the power grid that covers all of Pennsylvania and New Jersey, and includes some or all of 11 other states and the District of Columbia. But the effect was not as severe as what happened in Texas last week.

About 20% of PJM's power plants were out of commission on the coldest day of the 2014 polar vortex. Real-time electricity prices soared to more than \$2,000 a megawatt-hour (the average PJM price the month before was \$44 a MWh). In Texas last week, hourly pricing exceeded \$9,000 a MWh, and more than 48% of power plants were offline.

Those are the prices on which variable-rate contracts are tied. It's like harnessing yourself to a runaway horse.

Didn't they fix that problem in Pa. and N.J.?

In the aftermath of the polar vortex, a number of states conducted investigations. [New Jersey](#) and Pennsylvania fined and punished several suppliers for predatory behavior and misleading customers about the risks of variable rates.

PJM increased payments to power producers to guarantee they can supply electricity to meet demand (and penalize them if they fail to perform). The added payments, ultimately borne by consumers,

incentivize power generators to winterize their power plants and maintain backup fuel supplies for extreme conditions.

The Pennsylvania Public Utility Commission also changed rules to [allow consumers to switch suppliers](#) more quickly and required suppliers to spell out more clearly the terms of supply contracts. Suppliers are required to make available a 24-month history of the product's price. Suppliers must mail two notices to consumers when their supply contracts expire. [Additional disclosure rules](#) went into effect last year.

Some consumer advocates and legislators had suggested the state enact caps on variable rates to limit price increases. The PUC didn't do that.

How many customers have switched to competitive suppliers?

In Pennsylvania, about [1.7 million customers have switched](#), or 29% of all residential, commercial, and industrial customers. This number is down significantly since early 2014, when 2.2 million customers, or 39%, got their energy from competitive suppliers.

About 400,000 Peco residential customers, or 26%, have chosen competitive suppliers, down from 33% in early 2014.

In New Jersey, where the state has not promoted electric choice as vigorously as Pennsylvania, only 11.3% of all customers have switched, [according to data](#) posted by the Board of Public Utilities.

The state regulators do not distinguish how many customers have chosen variable-rate contracts.

I didn't sign up for a variable-rate contract.

Many customers are unaware that they are supplied under a variable-rate contract. They may have signed up for a fixed-rate contract but missed the notice when their contract expired. In some circumstances, fixed-rate deals are converted to variable-rate contracts.

Many customers sign up for competitive supply deals and then forget them.

A Peco customer in Lafayette Hill last month wrote on [Nextdoor.com](https://www.nextdoor.com) that she had discovered she signed up for a competitive supplier in 2011 and never changed it. She was paying the supplier 13.9 cents per kilowatt-hour, more than double Peco's current energy rate of 6.4 cents per KWh. (All Pennsylvania residential utility prices and many competitive prices are posted on [PaPowerSwitch.com](https://www.papowerswitch.com).)

How can I tell who my supplier is, and how much they're charging me?

Check your electric bill.

In Pennsylvania and New Jersey, utilities are required to list your energy supplier, the rate you're paying, and the "price to compare" charged by the utility. It takes just a few minutes to find some critical information.

First, some basics: Energy bills contain two key components: delivery charges and supply charges.

Delivery charges are the amount charged by the utility for maintaining their distribution system and delivering the energy to the customer. We're not concerned with that here because you can't change the company that delivers the power to your house.

The supply charge is the amount you pay for the energy consumed. If the supplier listed is the utility itself — Peco, Public Service Electric and Gas, Atlantic City Electric, or PPL Electric Utilities — you are usually getting the utility's default rate. If the supplier listed is a different company, that's a competitive supplier. The bill will also include contact information for the supplier.

On subsequent pages of a [Peco bill](#) or a [PSE&G bill](#), it will list the “price to compare” — an amount per kilowatt-hour. That’s the default rate charged by the utility for all customers.

You can compare that price with the total amount you are charged under the “electricity supply” portion of your bill to see whether you are paying more or less than the rate charged to the utility’s default customers.

The utility bills typically do not disclose whether you have a variable-rate contract. You need to consult the terms of your supply contract.

OMG. I don't recognize the name of my electricity supplier.

Suppliers sometimes change their names or are bought out by other companies. If you don't remember signing up for a supplier, that may be a sign that somebody switched your supplier without authorization.

If you don't like the supplier, or you don't like the price, switching suppliers is easy. Just make sure you're not under a contract that will assess a penalty if you cancel early.

You can call the supplier (the number is listed on the bill) and try to negotiate a new price. If you're in Pennsylvania, you can shop on [PaPowerSwitch.com](#) for alternative options.

If you want to jettison your competitive supplier, you also can simply call the utility (the number is on the bill) and tell them you want to return to default service.

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This story was updated to include customer-switching data from New Jersey.

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