

## **WHAT ARE ENERGY SUPPLIERS? BROKERS? AGGREGATORS?**

There can be some confusion when it comes to talking about ENERGY SUPPLIERS. Maryland's retail competition laws use the term SUPPLIERS to refer to SUPPLIERS, BROKERS and AGGREGATORS. Yet there are important differences for consumers between these categories of energy companies. You should understand these differences before you sign a paper contract or sign a contract throughout a Company website (yes, an Internet "sign-up" is a contract).

**ALL SUPPLIERS – SUPPLIERS, BROKERS AND AGGREGATORS – MUST OBTAIN A LICENSE FROM THE PSC IN ORDER TO ADVERTISE SERVICES, SOLICIT CUSTOMERS OR ENTER INTO CONTRACTS.** A company must have separate licenses for gas and electricity. Any company that engages in these activities BEFORE it obtains a license is violating the law. If you believe a company is engaging in these activities without a license (the Company must have a license number which can be verified by the PSC), you should notify the PSC.

### **WHAT IS A NATURAL GAS or ELECTRICITY SUPPLIER?**

In its most specific meaning, the word "supplier" refers to a company that:

- Meets the PSC requirements for a supplier license.
- Has an agreement with PJM and meets the PJM credit requirements (\$2 million bond), which allows the supplier to buy and sell electricity.
- Has an agreement with the local gas or electricity company, and meets its credit requirements, which allows the supplier to transport electricity on the utility "wires" gas within the pipes to a customer.
- Undergoes a higher level of financial integrity review, which may result in the PSC requiring a bond or other financial guaranty
- Has title to electricity or gas supply (this means the company gets supply from its own generating facilities or has contracts to purchase electricity or gas)
- Must enter into a contract with a customer for the sale of electricity or gas
- Must handle disputes and inquiries about advertising, solicitations and contract terms directly with consumers and relevant state agencies, such as the PSC and Office of Attorney General.

## WHAT IS A GAS or ELECTRICITY BROKER?

There is no specific definition of a gas or electricity broker. In general, a broker is an individual or company acting on someone's behalf, like a middleman or negotiator, to obtain the best "deal" or contract terms.

In general, a "broker" refers to a company that:

- Meets the PSC requirements for a broker license, which include a lesser financial integrity review and payment of a \$10,000 bond to the PSC
- Does not have title to gas or electricity supply
- Does not have agreements with PJM or the local utility
- Cannot offer to sell you gas or electricity supply directly
- Acts as a middleman between the customer and the supplier (with title to gas or electricity)
- Must have an agreement with the customer that is separate and apart from the customer contract with the supplier
- Brokers also may focus on certain customer interests, such as renewable energy.

Until recently, we did not see very many energy "brokers" for residential customers in Maryland. Most licensed brokers act on behalf of commercial and industrial customers, and typically solicit or identify multiple suppliers or offers and evaluate them to meet the customer's needs.

OPC has noted a significant increase in the number of "brokers" for residential customers. One of the key differences we see with brokers for residential customers is that many of them have contract arrangements with a single energy supplier. The broker is paid by that supplier, and "offers" to customers the rate options of the supplier. Sometimes these rate offers are slightly different than the rate offers the supplier makes to customers directly. When a broker has an arrangement with only a single supplier, the broker appears to be more of a **marketing agent** for the supplier, since the broker is not identifying or comparing multiple supplier offers for the customer.

OPC also has identified some suppliers that are using Independent Associates to market their supply offers. Independent Associates are not employees of the supplier, and the status of these Associates is not clear to OPC.

## WHAT IS AN AGGREGATOR?

An “aggregator” is a broker that acts on behalf of a group or groups of customers. Typically, a broker/aggregator will set up arrangements with members of groups such as homeowners associations, affinity groups (religious, cultural, regional, fraternal, etc.) and seek rate offers from suppliers for these “bundled” groups of customers. The individual customers typically do not pay for the aggregator’s services, and are not contractually required to accept the supplier offers that the aggregator finds. The possible advantage is that the aggregator can offer a larger customer pool to the supplier, and may be able to get different offers as a result.

## CONSUMER QUESTIONS

You should know the type of company that you are dealing with. We have noticed that some broker websites do not clearly identify themselves as brokers? The websites sometimes link you to the website of a supplier, without clearly identifying that you are being transferred to the website of a different company, or to a sign-up (contract) page of a different company.

We recommend that you ask the following questions if you are contacted by a company, or you contact the company by telephone or through the Company website:

Do you have a PSC license? What is the license number?

Are you a supplier (do you own the gas or electricity supply) or a broker?

If you are a broker, what will you do for me? Will you identify multiple supplier offers for me?

If not, what do you do for me as a broker?

Do you have an arrangement with a single supplier? Who is it? What is the supplier license number?

What is my arrangement with you? What are the contract terms with the supplier?

Check out OPC’s guide on **Contracting for Electricity and Natural Gas Supply** in the Publications area of the website