What Energy Suppliers and Brokers do not want you to know

Part 1
About Us

- E-Quantum Consulting Founded in 2011
- Provide the Energy Buyer Information
- **Independent** Consultants
- Higher Education Partners
Do you understand your energy supplier’s contract structure?
Things to Consider

- Retail Energy Suppliers are not Utility Companies
- Energy is the 3rd Largest expense in running an organization
- When you purchase yours, does it feel like the deck is stacked against you?
Agenda

- Energy Purchasing Channels
- How to ID a Broker & why it matters
- Pitfalls & Best Practices
Energy Purchasing Channels

1. Direct
2. Direct with Consultant assistance
3. Broker
Independent OR Non-Independent
Independent Consultants
“not hold itself out as independent or unaffiliated with any supplier....unless the person...has no contractual relationship”

Public Act 096-1385
Independent

YOU

1. Unbiased advice
2. No hidden contracts
3. Flat fee

Supplier A
Supplier B
Supplier C
Supplier D
Non-Independent

1. Conflict of Interest
2. Commission Unknown
3. Higher Rates
4. Double dipping risk
How to ID a Non-Independent Broker
Verification Tool

Entity Search

Entity Name
entity name

Authority Type
All Authority Types

Search  Clear

3 Clicks
2 Minutes
Required Disclosure
Hidden Data

 Remarkable

[Public Redacted Version]


Section 454.110 Reporting Requirements

a) Each licensee shall submit a report identified with the name of the ABC as it appears in the most recent Commission order granting the ABC a license.

Licensee Name: [REDACTED]

ICC Docket # for current certification: [REDACTED]

b) The annual report required by subsection (a) of this Section shall list each RES (Retail Electric Supplier) the licensee had any contractual relationship with during the prior calendar year, and shall contain the following information (NOTE: #2 & #3 below should include customers for which RES paid the licensee’s fee, and #4 & #5 should include customers for which customer paid the licensee’s fee. Do not count the same customer(s) twice. If you need additional space, please attach additional sheets.):

RES: [REDACTED]

1) The type of contractual relationship (such as subcontractor, affiliate, commission compensated): [REDACTED]
BEWARE of Misleading Advertising

Utilizing a proprietary energy desk, our professionals blend market analytics and qualitative market factors to build a strategy to control members’ energy costs over time. We ensure our energy management strategy remains current as market conditions change over time.

Our organization is 100% independent, not affiliated with any energy supply company, and works solely on the behalf of its members.

We offer facility owners and operators a comprehensive integrated energy management program independent of any manufacturers or suppliers of energy related equipment or services. The purpose of the program establishes best practices across all energy sectors.

Our process is risk free. We work as an independent agent through energy suppliers buying directly from the wholesale market. If you sign with an energy supplier we represent,
Qualifying Questions

1. Do you have a contractual relationship with any supplier?

2. So can you email me your unredacted 2021 ABC Filing?
Why does it matter that I “ID” a Broker?
Non-Independent

- **COMPETITION**: LOW
- **TRANSPARENCY**: LOW
- **COST**: HIGH
Letter of Exclusivity (LoE)

Activates the broker contracts

Letter of Exclusivity (LoE)

Dear Supplier,

We authorize JOHN DOE to source energy supply bids.

Signed: Jane Doe

“Energy Advisor”
Non-Independent

Supplier A
Supplier B
Supplier C
Supplier D

YOU

Broker
Key Broker Contract Clauses

1. NON-COMPETE
2. CONFIDENTIALITY
3. COMMISSIONS

"Energy Advisor"
Key Broker Contract Clauses

1. Non-Compete

- **Agrees not to directly or indirectly solicit business from any Customer provided by broker for a period of 6 months after initially providing pricing (the exclusivity period).**

- **Partner will not imply or state, either verbally or in writing that the broker services it provides are without cost to Customer, and will not imply or state either verbally or in writing, that the cost of electricity to Sales Partner's Customer would be less without the involvement of Sales Partner;**
Non-Independent

Have you ever wondered why you cannot get pricing from the same Supplier from 2 different Brokers or Direct?
8. **CONFIDENTIALITY.** Except for matters of public record, information already within the other Party's possession prior to entering into this Agreement, and except to the extent required (through deposition, interrogatory, request for production, subpoena, civil investigative demand or similar process) by a court order, both parties agree to keep confidential all information, including but not limited to, Suppliers detail pricing and structures, Suppliers Retail Electricity Supply Agreements, the Non-Exclusive Broker Agreement, Broker commissions, Suppliers sales and marketing materials and any data collected hereunder, unless expressly agreed to in writing by either party.
Key Broker Contract Clauses

CONFIDENTIALITY

Supplier Contract Language (EXAMPLE):

**Payments to Certain Third-Parties:** You acknowledge and understand that:
- We are making a payment to **[redacted]**, Inc in connection with its efforts to facilitate our entering into this Agreement; and
- Your price reflects the fee we are paying to **[redacted]**, Inc
- **[redacted]** is acting on your behalf as your representative and is not a supplier.
- You should direct any questions regarding such fee to **[redacted]**.

**WHY can’t supplier tell us?**
Non-Independent

Supplier A

Supplier B

Supplier C

Supplier D

Broker

<table>
<thead>
<tr>
<th>SUPPLIER</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$0.066</td>
</tr>
<tr>
<td>B</td>
<td>$0.062</td>
</tr>
<tr>
<td>C</td>
<td>$0.061</td>
</tr>
<tr>
<td>D</td>
<td>$0.072</td>
</tr>
<tr>
<td>E</td>
<td>$0.063</td>
</tr>
<tr>
<td>F</td>
<td>$0.059</td>
</tr>
<tr>
<td>G</td>
<td>$0.064</td>
</tr>
</tbody>
</table>

You: What price did you just quote?
Supplier: Sorry,... you gotta ask your broker
You: WHY???
Key Broker Contract Clauses

3

COMMISSIONS

YOU
Non-Independent

- Supplier A: $0.004
- Supplier B: $0.003
- Supplier C: $0.005
- Supplier D: $0.002

YOU

Broker

YOU
### Non-Independent

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Annual kWh</th>
<th>Broker Commission ($/kWh)</th>
<th>Annual Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier A</td>
<td>15M</td>
<td>$0.004</td>
<td>$45K</td>
</tr>
<tr>
<td>Supplier B</td>
<td>15M</td>
<td>$0.003</td>
<td>$60K</td>
</tr>
<tr>
<td>Supplier C</td>
<td>15M</td>
<td><strong>$0.005</strong></td>
<td><strong>$75K</strong></td>
</tr>
<tr>
<td>Supplier D</td>
<td>15M</td>
<td>$0.002</td>
<td>$30K</td>
</tr>
</tbody>
</table>

**YOU** pay this hidden fee via HIGHER rate.
Biased Bidding Process

The chart compares the price adjustment and price for different suppliers. The chart shows:

- **Supplier A**: Price Adjustment = $0.040, Price = $0.020
- **Supplier B**: Price Adjustment = $0.025, Price = $0.040
- **Supplier C** (highlighted): Price Adjustment = $0.050, Price = $0.00
- **Supplier D**: Price Adjustment = $0.00, Price = $0.080

**Supplier C** is marked as the winner with a '1st Place' ribbon.
Non-Independent

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Non-Independent

Supplier A
$0.004

Supplier B
$0.003

Supplier C
$0.005

Supplier D
$0.002

Broker

BEWARE OF DOUBLE DIPPING
**Non-Independent**

1. Conflict of interest
2. Commission Unknown
3. Higher Rates
4. Double dipping risk

**Independent**

1. Unbiased advice
2. No contract with suppliers
3. Flat fee
Agenda

- Energy Purchasing Channels
- How to ID a Broker & why it matters
- Pitfalls & Best Practices
Best Practices

- Do not forget that Retail Gas and Electric Suppliers are not Utility Companies. There is no Government Oversight in how they do business. Their job is to Max their Margin and Min THEIR risk.
Best Practices (continued)

- Make sure whoever handles the Energy for your organization understands how to ID Brokers and why they should be avoided before wasting their time.
Best Practices (continued)

- Learn how your Regional Transmission Operators Federally Approved Tariff actually works. Or work with someone who does.
Pitfalls

- Remember, this is the 1st section of a 2 hour class were we discuss:
  - How to properly structure Natural Gas and Electric so the Supplier cannot take advantage. Single most important aspect, even before price.
  - The pros an cons of the various ways to shop for a retail contract (online auction, direct request for proposal, etc).
  - Demand Response Programs.
  - Much more...
Questions?