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June 28, 2016

Hon. Kathleen H. Burgess
Secretary
NYS Public Service Commission
Three Empire State Plaza
Albany, N.Y. 12223

RE: Cases 15-M-0127, 12-M-0476, 98-M-1343: Notice Seeking Comments on Resetting Retail Energy Markets for Mass Market Customers

Dear Secretary Burgess:

I am writing in response to a recent submittal by TEPA, The Energy Professionals Association, regarding my comments of March 14, 2016 suggesting that brokers in the deregulated energy market be required to register with the New York State Public Service Commission and be required to fully disclose all fees that they receive.

The letter from TEPA is mistaken in its characterization of Big Apple Energy and the role that it serves. Big Apple Energy is not an ESCO. Big Apple Energy is a provider of various back office services to the ESCO community. Included in those service offerings is providing assistance in pricing. Big Apple Energy has dealt with dozens of ESCOs throughout its 18 years of operation and that experience gives us a unique perspective of the energy market.

The deregulated energy market has undergone some structural changes over the last 6-8 years with a significant influx of new brokers coinciding with the collapse of the housing market in 2008. These new participants had no energy background but were skilled in convincing the customer that they provided a valuable service. They became entrenched in the supplier-customer relationship and started creating distance between the ESCO and the customer. Control of the relationship enabled the broker to extract higher fees without any push back from the customer and created frothiness in the market.

As new brokers and consultants entered the market it became an accepted practice to follow the lead of entrenched brokers in the level of control of the customer relationship and in the level of commissions that they charged. During this period we also witnessed an overall drop in commodity prices which masked excessive commissions. Today the broker has total control over the commissions that they extract from the ESCO.

In our position as a service provider to various ESCOs, we have witnessed first-hand the increase in commissions over the years. Just recently we encountered a contract where the broker made in excess of \$0.05 per therm. That means that the broker's fees added 12% to the customer's final cost. There are various reasons that a customer chooses to use a broker to assist in the procurement process. Sometimes the customer isn't as informed about energy as they should be. Sometimes the customer wants to have someone to blame if they make a bad decision. Sometimes the customer is just too lazy to make that second and third call to get a competing quote. If the customer is truly too lazy to make that call,

shouldn't they at least know what their laziness is costing them? If they knew that it was costing them an additional 12%, they might start taking a more proactive role in the energy procurement process.

The level of fees in-and-of itself is not the issue. The broker can make \$0.05 per therm if the customer is willing to pay it. The real problem is that the broker relationship has started to create an unbalanced playing field. The ESCO bears the risk in the transaction. There is absolutely no disputing this fact even though some brokers try to argue that they have risk also. Brokers bear **NO** risk. Why should a party that bears no risk be more highly compensated, sometimes three to four times the gross margin of the ESCO, than the party that holds credit risk, weather risk, operational risk, regulatory risk. The only reason is that there is no visibility on the broker side of the transaction.

Make full disclosure of broker's fee mandatory. Without full disclosure the market is subject to undue manipulation and it puts the market itself at risk. I have been in this industry for over 20 years. The vast majority of brokers are relative newcomers to the industry. The Energy Professionals Association should welcome disclosure. As **Energy Professionals** they should view this as a positive step in ensuring that the market is going to endure and remain healthy.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Victor M. Ferreira", written over a horizontal line.

Victor M. Ferreira
President
Big Apple Energy, LLC