

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission)	
On Its Own Motion)	11-NOI-01
Notice of Inquiry into the Implementa-)	
tion of Public Act 97-0222)	

COMMENTS OF SPARK ENERGY, L.P.

Spark Energy, L.P. (“Spark Energy”) hereby respectfully submits its comments to the Notice of Inquiry published by the Illinois Commerce Commission (“ICC”) on October 20, 2011 concerning consumer education for residential and small commercial customers. Specifically, the comments of Spark Energy will address questions posed by the ICC’s Office of Retail Market Development (“ORMD”) via email on October 26, 2011 concerning its proposal to publish residential complaint statistics.

Spark Energy is a licensed Retail Electric Supplier (RES) in Illinois that sells electricity to customers of Commonwealth Edison (ComEd). Spark Energy Gas, LP (“Spark Energy Gas”) is a licensed Alternative Gas Supplier (AGS) in Illinois that sells natural gas to customers of Nicor Gas, Peoples Gas and North Shore Gas. Collectively, Spark Energy and Spark Energy Gas serve retail customers in seventeen states across the country.

Comments on ORMD’s Complaint Reporting Proposal

In support of consumer education, ORMD proposes to add residential complaint statistics concerning RESs to the ICC’s “PlugInIllinois” website. ORMD’s proposal gives several options for displaying complaint statistics and raises various questions about how such statistics should be calculated. Spark Energy agrees that complaint

statistics can be useful to consumers and can give insight into RES performance. However, such information can be distortive, misleading and not helpful if the reporting system is improperly designed. Spark Energy appreciates and applauds the effort of ORMD to seek input while at this early stage of developing its proposal.

Below are Spark Energy's suggestions for ORMD's proposal. Attachment A incorporates these suggestions into ORMD's reporting format.

1. Consider that Terminology is Important

The word "complaints" has a negative connotation. It infers that the supplier has done something wrong, either by design or accident, that a customer has found offensive. Collectively, the reporting of complaint statistics for all RESs can convey the impression that Customer Choice is fraught with problems. If the reporting system is truly collecting statistics on bona fide customer complaints, then the number of complaints is what can be reported. However, ORMD's proposed language for complaint reporting says "complaint numbers may also contain simple inquiries received by the Commission, such as whether a particular supplier has the proper certificate of authority to sell electricity supply services in the State of Illinois." This statement suggests the ICC would collect and report as a complaint all contacts about a supplier, regardless of whether a bona fide complaint is the cause for the contact from the customer.

If ORMD envisions that the ICC's reporting system will not be able, or will not intend, to discern between complaints and general inquiries, Spark Energy suggests that ORMD modify its proposal and report on "RES Contacts". "RES Contacts" would be defined as: the number of general inquiries or complaints from residential consumers received by the ICC's Consumer Services Division, either in writing or by phone,

concerning a particular supplier during the monthly reporting period. The Georgia Public Service Commission uses this terminology for reporting on natural gas suppliers subject to its jurisdiction. Their monthly scorecard reports “contacts”, which include “complaints and general questions” received by the Commission during the month.¹ The “contact” terminology better reflects the information being collected and does not unnecessarily cast negative light upon Customer Choice.

2. Use Complaint (or Contact) Statistics to Convey Relative (vs. Absolute) Information about RES Performance

In referencing absolute numbers of customer complaints, ORMD’s proposed language includes the caveat that consumers should “Keep in mind that suppliers serving a large number of customers will generally have a greater absolute number of complaints due to their size.” However, it is highly unlikely that a customer will know which suppliers are serving a large number of customers. Moreover, even if a customer had access to accurate RES customer counts, those counts are subject to wide variation from month-to-month, particularly at this early stage of market development. Absolute numbers of complaints can thus give customers a distorted picture of a RES’ customer satisfaction and performance.

Spark Energy recommends that ORMD report relative measures of customer complaints (or contacts) and not report absolute complaint numbers. Both the complaints per 1,000 customers and complaint ratio statistics meet this recommendation, as does the Complaint Summary under Option 1, which shows a percentage breakdown of complaints by type of complaint. However, the Complaint Summary under Options 2

¹ See http://www.psc.state.ga.us/consumer_corner/cc_gas/scorecard/scorecard-11.asp

and 3 show absolute numbers of complaints by type; our recommendation is to avoid this reporting format.

Spark Energy supports ORMD's Option 3 for the Complaint Scorecard (which uses a graphical depiction of the complaint ratio) and Option 1 for the Complaint Summary (which reports complaints by category as a percentage of total complaints). This depiction is easier for consumers to understand and avoids inundating customers with absolute numbers that convey a false sense of precision. The Option 3 Complaint Scorecard is similar to the approach used by the Texas Public Utility Commission ("PUCT") to report relative rankings of competitive electric suppliers' complaint ratios. However, the PUCT takes the comparison a step further by imposing a forced ranking on the distribution²; suppliers are grouped into quintiles so that there is always, for example, a top 20% group and a bottom 20% group, even though in theory all suppliers could have a very low rate of complaints.

At this stage of Illinois' market development, we like ORMD's suggestion in Option 3 to use "lower than average", "average", and "higher than average" as opposed to forced rankings. Spark Energy suggests that the category names could be tweaked and that specific thresholds should be adopted – for example, "well below average" is an average ratio of less than 0.9; "about average" is an average ratio of between 0.9 and 1.5; and "higher than average" is an average ratio greater than 1.5. The values may need to be adjusted based on actual experience; for example, a prolonged period where all suppliers were in the 0.9 to 1.5 range might render the report somewhat meaningless.

² See <http://www.powertochoose.org> for a description of the Complaint Score methodology.

3. Take Care to Ensure that the Collection Techniques or Complaint Categories Do Not Unduly Bias Results In Favor of or Against any Particular Business Model or Supplier

ORMD suggests that complaints will be collected and reported for two categories – 1) sales and marketing, and 2) contracts and billing. In the context of Illinois’ current market development, these categories give concern on two fronts. First, certain suppliers may have obtained a large proportion of their customers from municipal aggregations. Municipal aggregations are not likely to generate complaints about “sales and marketing”, although the aggregations may generate many calls to the municipalities involved which presumably would go unrecorded in ORMD’s proposal. Including aggregation customers in the denominator of the complaint ratio for suppliers which ultimately win the aggregation bids will depress their ratios relative to other suppliers who do not participate in municipal aggregation. Ideally, the ICC would collect contact/complaint statistics from the municipalities and include these values in complaint reports. But if municipal aggregation customers are a significant proportion of total Choice participants or total customer count for particular suppliers, failure to reflect aggregation-related contacts could significantly distort the reports.

Second, suppliers are also not on equal footing with regard to the billing category, since not all suppliers provide billing service. Suppliers who perform their own billing might be expected to have a greater number of complaints related to billing than non-billing suppliers. Suppliers who rely on utility consolidated billing may still experience billing complaints, although the cause of the complaint is more likely to have been beyond the control of the supplier. ORMD should consider making billing a separate

reporting category and designating whether a supplier provides billing service. This would allow a customer to recognize differences in the underlying business models and help them interpret the billing contact statistics.

4. Consider Adding a Category for Escalated Complaints

As noted earlier in these comments, monthly contact/complaint statistics are likely to be comprised of a mix of general inquiries and real complaints. ORMD may want to consider giving special recognition in its proposal to monthly contacts that are repeat contacts from customers whose initial question or complaint was unresolved after the supplier had opportunity to address the issue with the customer. For example, in its reporting, the New York Public Service Commission defines “escalated complaints” as “complaints that we escalated for further handling and investigation because the customer informed us that the utility failed to satisfy their initial complaint”.³ Including this feature in a contact reporting system recognizes a supplier’s success, or lack thereof, at addressing contacts that are complaint-related. Consistent with prior recommendations, Spark Energy suggests that escalated complaints be reported only as a percentage of total contacts and not in absolute numbers.

Respectfully submitted,



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Dated: November 22, 2011

³ See http://www.dps.state.ny.us/ocs_stats.html and Monthly Report on Consumer Complaint Activity.

ATTACHMENT A - ORMD COMPLAINT REPORTING FORMAT WITH RECOMMENDED REVISIONS

The Contact Score Card shows how each retail electric supplier's (RES) rate of contacts compares to the average rate of contacts for the entire residential market. It measures the number of general inquiries or complaints from residential consumers received by the ICC's Consumer Services Division, either in writing or by phone, concerning a particular supplier during the monthly reporting period. The Score Card is updated monthly. In many cases, the ICC's informal complaint process adequately addresses the customer contact with quick resolution by the RES. Significant changes in the contact ratio may occur from month to month. This contact summary should be viewed as only one measure of the customer service provided by retail electric suppliers.

RES	Contact Scorecard Based on Average Contact Rates for February 2011 through July 2011
Formation Energy	★★★★★
Purple Hill LLC	★★★★★
Indirect Energy Services LLC	★★★★★
Energy Minus Holdings LLC	★★★★★
RedStar Energy Services Inc.	★★★★★
Second Energy Inc.	★★★★★
Chameleon Energy LLC	★★★★★
Atlantic Energy	★★★★★

Legend:

- ★★★★★ = Lower than Average Rate of Contacts (less than 90% of average rate)
- ★★★★ = Average Contact Rate (between 90% and 150% of system average rate)
- ★★★ = Higher than Average Rate of Contacts (greater than 150% of average rate)

ATTACHMENT A - ORMD COMPLAINT REPORTING FORMAT WITH RECOMMENDED REVISIONS

Contacts are organized in three categories: (1) marketing and sales, (2) customer service and contracts, and (3) billing. The following summary shows how each supplier's contacts are distributed over those three categories during the last six months, and also shows the percentage of contacts that are considered Escalated Complaints. Escalated Complaints are repeat contacts where the customer indicated that the RES failed to satisfy their initial complaint.

Contact Summary - February 2011 through July 2011

	Sales & Marketing	Contracts & Service	Billing	Escalated Complaints
RES				
Atlantic Energy	80%	20%	0% (U)	7%
Chameleon Energy LLC	21%	79%	0% (U)	6%
Energy Minus Holdings LLC	50%	50%	0%	3%
Formation Energy	79%	21%	0% (U)	4%
Indirect Energy Services LLC	64%	36%	0%	7%
Purple Hill LLC	69%	31%	0% (U)	5%
RedStar Energy Services Inc.	66%	34%	0% (U)	1%
Second Energy Inc.	61%	39%	0% (U)	9%

Categories:

Sales & Marketing: Contacts regarding the supplier's license, sales tactics, advertising material, or enrollment processes.

Contracts & Service: Contacts regarding the supplier's contract and its administration, ability to talk to a customer service representative, or other matters related to customer service.

Billing: Contacts regarding the amount of a bill, receipt of payment, timing of billing, or pricing issues. A (U) indicates that the RES does not provide its own billing service but uses billing service provided by the utility.