



The HEAT Act

January 2020

One of the nation's toughest consumer protection laws against gas and electric rip-offs

In a victory for consumers, the Illinois General Assembly has unanimously passed and Governor Pritzker has signed one of the nation's toughest consumer protection laws to fight rip-offs peddled by alternative electric and gas suppliers: the Home Energy Affordability and Transparency (HEAT) Act.

In a statement, CUB praised Attorney General Kwame Raoul for leading the charge in favor of the "historic consumer protections from scams, rip-offs and bad deals peddled by alternative electric and gas suppliers." The bill took effect January 1, 2020.

Here's a rundown of what the HEAT Act (Senate Bill 651) does:

Consumer protection: It would stop alternative suppliers from automatically renewing a contract from a fixed rate to a variable rate (a rate that changes monthly), and then jacking up the price.

Explanation: CUB hears a lot of complaints from consumers who were lured into what they thought was a good deal—typically a relatively low fixed rate—only to see their bills skyrocket after that introductory price ended. The HEAT Act would require alternative suppliers to get a customer signature, either electronic or in writing, specifically for contracts to renew from a fixed rate to a variable rate.

Also, starting Jan. 1, 2020, when alternative suppliers sign up consumers for contracts that automatically renew, they will have to give the potential customers a separate written disclosure titled "Automatic Contract Renewal," which will lay out details of the renewal process, including dates and ways to cancel. Plus, at the end of the initial term of fixed or variable contracts, the suppliers will have to give customers a disclosure outlining the terms of renewal and a side-by-side comparison of the current rate and new rate.

Consumer protection: It would end termination (exit) fees for getting out of a contract early on supply contracts for residential and small-business customers.

Explanation: On January 1, exit fees will be outlawed on contracts. Some years back, CUB and other consumer advocates fought for a \$50 cap on exit fees—and that was a victory. But outlawing the fees is an even bigger win. Now, customers won't be penalized for leaving a bad deal early.

Consumer protection: It would require alternative supplier marketing materials, as well as utility bills, to clearly state the utility's current price, and the dates during which that price is valid.

Explanation: Imagine getting your monthly bill and scanning the supply section: "XYZ Energy" is charging you 15 cents per kWh. This might not mean anything to you—but then you see the utility's price displayed on the bill and realize that XYZ is charging you double!

The new law clarifies the state's competition rules, which now allow electric utilities to disclose the utility price and the rate a customer is paying if he or she is with an alternative supplier.

Too often, customers enter into bad deals because they don't know what the utility is charging and, thus, can't see that they're getting ripped off.

Both Ameren and ComEd are already beginning to display this "Price to Compare" on their bills. But now, it's mandated to be on ALL gas and electric utility bills—even those for customers who are with another supplier.

Additionally, utility customer service representatives are now allowed to give people a list of frequently asked questions and provide educational materials developed by the Illinois Commerce Commission (ICC) and Attorney General. (Utilities have been hesitant to provide such information, concerned that this would violate competition rules.)

Consumer protection: Suppliers no longer will be able to slap high rates on households getting energy-payment assistance through the Low Income Home Energy Assistance Program (LIHEAP) or a utility-run assistance program.

Explanation: This makes it a lot harder for companies going door-to-door, telemarketing or sending mailers to lure low-income customers into bad deals. If an alternative supplier does try to sign up a LIHEAP customer, the account will be flagged during the switching process and the switch won't be completed. There are two exceptions:

- 1) LIHEAP customers could still be signed up for a supplier through a Municipal Aggregation Program, which is a power deal that is negotiated between a municipality and an alternative supplier.
- 2) Suppliers could go to the ICC to get approval for a guaranteed savings plan to offer LIHEAP customers.

According to the ICC, customers with alternative suppliers have lost nearly \$800 million just since 2015—and seniors and people on fixed incomes seem to be targeted the most. This law will protect low-income customers who can't afford to see their bills skyrocket. And it will protect LIHEAP funds from supplier overcharges, making sure the money available can help as many people as possible.

Consumer protection: The bill gives the Illinois Commerce Commission (ICC) sharper teeth in dealing with alternative suppliers.

- Requires all gas and electric suppliers disclose to the ICC and Attorney General's office the exact rates they

charge residential customers and whether that rate is fixed or variable. This will be used by the ICC to more accurately calculate consumer losses and savings with suppliers in its annual reports on competition. The ICC has been gathering that information for electric customers, annually, exposing hundreds of millions of dollars in losses since 2015, and now it will do the same for gas suppliers.

- Makes it easier for the ICC to require a supplier behaving badly to enter a compliance plan, based broadly on information that causes the ICC to act. A supplier that does not comply with such a plan is in violation of the law.
- Requires suppliers doing in-person marketing—door-to-door sales or pitches at kiosks in airports, for example—to take out a \$500,000 surety bond.

Explanation: The ICC passed consumer protections against electric rip-offs in 2017, and the agency is working on similar protections for gas customers this year. SB 651 enhances those efforts and gives the ICC sharper teeth.

Other Protections:

- All alternative gas and electric suppliers must make their prices easily accessible to the public by displaying them on their own websites, without requiring a login.
- All telemarketing and in-person marketing must be in the language the customer understands—and if it isn't, the supplier is forbidden from switching that customer.
- All suppliers must conduct training of sales representatives engaged in in-person marketing, as well as "refresher" training every six months.
- Certain new ICC protections against misleading marketing (also known as Part 412) have been added to the Attorney General's authority under the Consumer Fraud Act, making it easier for the Attorney General to sue suppliers.

The HEAT Act isn't the end of rip-offs, but it's a major step forward and a major victory for consumers. Now the hard work begins. "We look forward to working with the Illinois Commerce Commission and Attorney General Raoul to help enforce these new rules and build a better market for Illinois consumers," CUB Executive Director David Kolata said.