



## ENERGY SUPPLIER CONTRACT TERMS WHAT CONSUMERS NEED TO KNOW

**Make sure you review, understand and compare all of these contract terms before you agree to sign with a supplier**  
**CHECK OUT OPC'S PRICE COMPARISON GUIDES**  
at [www.opc.maryland.gov](http://www.opc.maryland.gov)

- **Only the utility customer (or a legal representative) can enter into a contract with a supplier. No other person is authorized to sign for a customer**
- **Be careful – variable rate contracts are risky**
- **Check out OPC Fact Sheets, OPC Price Comparison Guides and the contract terms before you agree to the contract**
- **Each supplier MUST give you a completed CONTRACT SUMMARY of all major contract terms in addition to the contract**

### CONTRACT TERMS

- **PRICE**
  - This is the price for gas or electricity supply
    - **You will still pay your local utility for distribution costs, taxes and surcharges**
  - **Types**
    - **Fixed rate – Examples: 7.2 ¢/kwh (E) or 34¢/therm (G)**
    - **Variable charges**
      - Initial fixed “teaser” rate – Typically 1, 3, or 6 months
- **Variable rate – HIGH RISK**
  - See our *FACT SHEET on VARIABLE RATES*
    - If there is no limit on price changes, the supplier must disclose this in the contract
    - If there is a limit on price changes, such as a price cap, the supplier must disclose this in the contract
    - If there is no limit, variable rates can go as high as the supplier wants
    - If you have a variable rate contract, you should access the rate before the billing period starts

- You should check your bill each month for the supply rate or total and compare with your utility price
  - If the rate or total seems too high, you have a right to cancel
    - OPC experience: We have not seen these variable rates go lower than the initial rate
- **WATCH OUT! - you may not get a lower rate overall**
  - **Things to Watch For:**
    - Low teaser rates followed by a variable rate higher than utility rate
    - “Guaranteed” savings
    - “Save up to X%” - This can be anything from 0% to X%
    - Gift card/airline mileage/train points with a specific rate
      - Does the combination have real value for you in comparison with a higher rate for gas or electricity?
- **Fees**
  - Some suppliers charge an extra monthly fee in addition to the usage rate
    - **TYPES:** Account management fee, administrative fee, consolidated billing charges
    - A fee of \$5.00/m can be equal to another ½ cent on the kwh rate on an average customer’s electric bill
- **Contract term**
  - **Fixed term**
    - Usually 6 months, or 1, 2 or 3 years
    - Summer ( June –Sept) or winter (Oct-May) rate only
  - **Initial teaser rate (fixed)/variable rate (month to month)**
    - Initial term – Typically 1, 3 or 6 months
  - **Month to month**
- **Cancel fee**
  - Almost all fixed term contracts have a cancellation fee
    - Sometimes the longer the contract, the higher the fee –if you cancel early in the contract, it can offset or exceed any price benefits
    - **BEWARE:** Price offers from other suppliers during the term of your contract
      - **NO MATTER WHAT YOU ARE TOLD**, if you switch, and there is a cancel fee, you will be charged a cancel fee if it is in your first supplier contract

## Contract cancellation – When and How to do it

- **When:** You can cancel “at any time” with no fee; you can cancel at any time and pay a fee; OR you must give 30 day notice
  - **Check your contract before you cancel**
- **How:** The contract will state the methods you must follow
  - Telephone
  - Internet
  - In writing
- **Budget Billing**
  - Most utilities do not include supplier charges in budget billing programs
    - You will need to contact your supplier separately to see if they offer budget billing for supply
    - **Caution:** Budget billing of supplier charges is not regulated – you need to make sure there are regular adjustments to avoid a sudden high bill for under-charges
- **Automatic renewal**
  - **Fixed term**
    - Supplier contracts almost always have an automatic renewal clause
    - You will receive a notice 45 days before the term ends – OPEN IT
    - The supplier can change your price or other service term – READ the NOTICE
    - Check the price and other terms against other supplier offers and the utility price – IF YOU DON'T LIKE THE NEW TERMS, DO NOT RENEW THE CONTRACT. The contract will give you instructions for cancellation
    - IF the contract renews as a month to month (typical), you will not receive another notice to renew
    - IF the contract renews it is likely at a variable rate
      - **The Notice must tell you how to access rates for next billing cycle, and disclose whether there are limits (or not) on the variability of the rate – i.e., on how high the rate can go**
    - If you cancel or do not renew a contract, you will return to utility supply service unless you enter into a contract with another supplier
  - **Month to month**
    - You will NOT receive a renewal notice
    - Fixed contracts can renew at a higher rate or a variable rate
      - Check the contract cancellation method to cancel the contract

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