

Combatting Fraud in Retail Energy



Hosted by the **Retail Energy Market (REM) Fraud Coalition**



eIQdigital



ANTITRUST STATEMENT

Antitrust Admonition

The **Retail Energy Market (REM) Fraud Coalition** strictly prohibits retail energy participants and their employees, agents or vendors who are participating in The REM Fraud Coalition activities from using their participation in REM Fraud Coalition activities as a forum for engaging in practices or communications that violate the antitrust laws. The REM Fraud Coalition has approved guidelines for members of Coalitions Committees, Working Groups to be reviewed and followed by each REM Fraud Coalition participant attending the fraud coalition meetings. If you have not received a copy of these Guidelines, copies are available at REM Fraud Coalition. Please remember your ongoing obligation to comply with all applicable laws, including the antitrust laws.

Statement Of Position On Antitrust Issues For Members Of *Retail Energy Market (REM) Fraud Coalition*, Committees, And Working Groups

It is policy and expectation that all persons participating in the **Retail Energy Market (REM) Fraud Coalition** activities (including all REM Fraud Coalition meetings, committee meetings, conference calls, email communications and informal discussions) comply with the antitrust laws. Antitrust laws are intended to promote competition in markets, and violations of these laws can result in severe criminal penalties and civil liabilities for individuals and their companies.

AGENDA

Why are we here?

Who are today's speakers?

Who is affected by fraud and how?

What types of fraud are out there?

What is the magnitude of fraud?

How are consumers affected?

Examples of fraud prevention best practices

Ways to identify fraud

What is the REM Fraud Coalition?

Q&A / Feedback / Next Steps?



“

The energy sector is grappling with a significant issue: an increase in fraudulent enrollments, many of which appear to be linked to organized crime.

As an industry, we must confront this aggressively and collectively. Implementing robust security measures and enhancing collaboration with law enforcement are essential steps. We must address this issue head-on to protect our customers and maintain the integrity of our services.

Daryl Lawrence, Co-Founder & CMO, GoodCharlie

”

TODAY'S SPEAKERS

Madelon Kuchera

President & Founder

[Earth Etch](#)

mkuchera@earthetch.com

Madelon is a licensed regulatory energy attorney and is uniquely qualified to help companies like yours grow strategically while mitigating risk. In her decades of experience, she has shepherded clients through the licensing process, as well as helped them meet their reporting and on-going compliance obligations. Madelon is more than a competitive energy industry expert – she’s a career-long advocate for companies that want to create new opportunities in the traditionally regulated utility space.

Holly Paulus

CEO

[Nexxa Group](#)

h.paulus@nexxagroup.com

As the CEO of Nexxa Group, Holly leads the company with a strong focus on thought leadership, innovation, and data driven strategies. She understands the importance of staying ahead of the curve in a rapidly evolving industry and works closely with her team to develop cutting-edge solutions that address the challenges faced by companies in the energy sector. Holly's passion for helping companies achieve growth, gain valuable insights, and effectively manage risks sets her apart in the industry. Her expertise and dedication make her a trusted advisor for companies looking to navigate the complexities of the energy market and achieve long-term success.

Terry McDaniel

President, Retail

[TPV Solutions](#)

tmcdaniel@tpvsolutions.com

Terry serves as President at TPV Solution, responsible for leading and growing the organization. Terry has over 20 years of experience across multiple industries, including Retail Energy and Telecom. He has held several executive leadership roles in IT and Operations and consulted for companies from start up to Fortune 500. Throughout his career, Mr. McDaniel has focused on utilizing technology to create streamlined solutions that fit the mission of the company, allow agility within the business, and control overall risk to the organization.

TODAY'S SPEAKERS continued

Dan Sullivan

President & CEO

[elQdigital](#)

dan@eiqdigital.com

Dan is a long-time Retail Energy Professional who came into the industry in 2001 just one month after Enron declared bankruptcy. Following this tumultuous beginning, Dan has enjoyed working for some of the largest Competitive Retail Energy Suppliers as well as four Energy Startups including his current company, elQdigital. Dan is a strong believer in energy competition but is also acutely aware of where the industry can improve especially in the area of Customer Experience. Which is why Dan founded elQdigital, to help energy firms provide their customers AI-driven digital technologies that provide a more compelling, personalized, experience.

Kelle Balch

Principal Consultant

[Regulatory Compliance Services](#)

kelle.balch@your-rcs.com

Kelle is a Principal at Regulatory Compliance Services. With over 20 years of experience in the utility space, Kelle has worked in various compliance, sales, and marketing roles, giving her a unique perspective on the challenges faced by providers and internal and external stakeholders. Kelle has experience creating and delivering compliance training programs for sales teams and call centers. In addition, her expertise in customer journey mapping has helped identify and mitigate potential compliance risks and improve operations.



SETTING THE STAGE

Who?

- Consumers
- Companies
- Regulatory and consumer agencies
- We are all impacted

How?

- The consumer - a victim's perspective
- Company's perspective
- Increased consumer complaints
- Damage to brand reputation
- Financial loss
- Regulatory perspective
- Changes to regulatory rules
- POR rates increasing
- Regulatory action



WHAT DO WE MEAN BY “FRAUD”

- Fraud is potentially an industry killer for Retail Energy.
- Suppliers, brokers and consumers are feeling the pain.
- Fraudsters are becoming much more sophisticated and Innovative.
 - Organized criminal activity
 - Wide use of AI and machine learning to “probe” supplier and broker websites
 - Identity theft and stolen credit cards
 - Outbound call centers offering “free electricity”
 - Targeted neighborhood signage and ads
 - Even...organized seminars on how to commit fraud
- Can't take our eyes off traditional sales channel fraud. It's still happening!
- Our goal is to bring together the best minds in the industry to develop strategies to combat all forms of fraud.



MAGNITUDE OF FRAUD

The Fraud Epidemic Reaches Across the Entire Economy

- The FTC reported over **\$10 Billion** in Fraud losses for 2023

Consumers & Businesses are Impacted

In Texas, bad debt from fraud accounts for more than **\$150 Million** in losses *

- New account fraud averages **20-30%**
- Texas is not alone! Pennsylvania reported **\$57.4 Million** in losses due to fraud* **33%** of that Fraud loss was from Imposter Scams

Real World Example

Backdoor sales channel of leads, in essence stolen data, being used. Audits are indicating high churn rate in 90 days from vendors.



A GLIMPSE OF REPORTED FRAUD IN 2023

FTC CONSUMER SENTINEL NETWORK

Published February 8, 2024
(data as of December 31, 2023)

All Fraud and Other Reports Year: 2023

View
Rankings

Year
2023

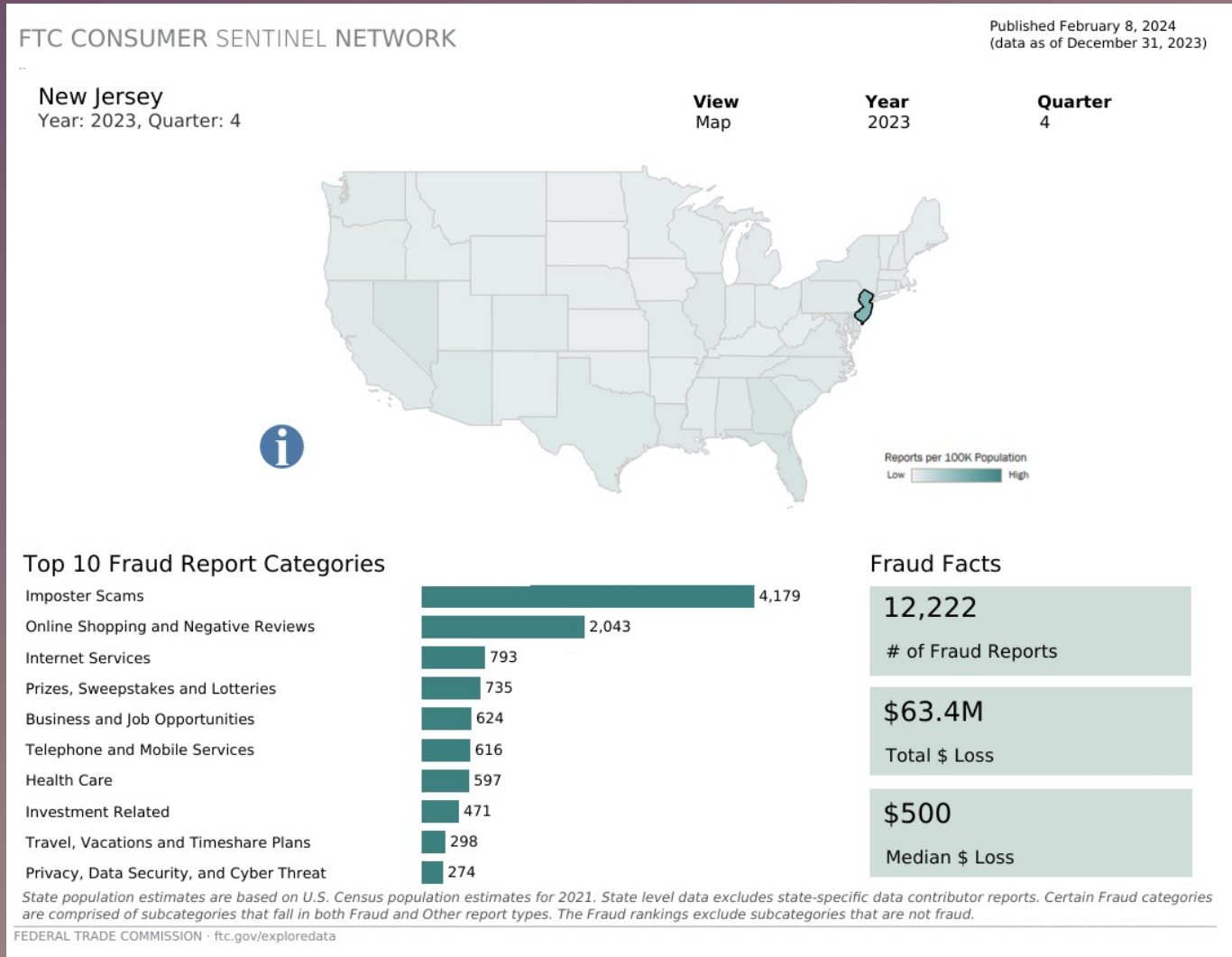
Quarter
All

Rank	State Name	Reports per 100K	# of Reports	Rank	State Name	Reports per 100K	# of Reports	Rank	State Name	Reports per 100K	# of Reports
1	Georgia	1,564	166,229	19	California	1,027	405,354	36	Utah	813	26,263
2	Florida	1,563	333,570	20	Washington	1,009	76,832	37	Arkansas	808	24,291
3	Nevada	1,531	46,840	21	Missouri	995	61,131	38	Idaho	796	14,424
4	Delaware	1,500	14,733	22	Oregon	991	41,706	39	Wisconsin	785	46,121
5	Maryland	1,372	84,353	23	Michigan	941	94,683	40	Minnesota	783	44,428
6	Arizona	1,216	86,066	24	Connecticut	940	33,892	41	Wyoming	783	4,516
7	South Carolina	1,170	59,444	25	New Hampshire	917	12,576	42	Oklahoma	781	30,833
8	Pennsylvania	1,149	148,998	26	Ohio	914	107,556	43	Montana	777	8,375
9	Virginia	1,139	97,746	27	Mississippi	902	26,774	44	Nebraska	768	14,994
10	Texas	1,136	327,936	28	Massachusetts	894	62,481	45	West Virginia	762	13,720
11	North Carolina	1,131	117,231	29	Alaska	877	6,456	46	Kansas	752	22,052
12	New Jersey	1,105	102,041	30	New Mexico	859	18,118	47	Kentucky	746	33,525
13	Alabama	1,104	55,182	31	Indiana	857	57,865	48	Iowa	619	19,673
14	Illinois	1,102	141,330	32	Rhode Island	840	9,170	49	North Dakota	606	4,685
15	Colorado	1,073	61,433	33	Vermont	828	5,314	50	South Dakota	588	5,183
16	Tennessee	1,068	73,244	34	Hawaii	822	11,947		District of Colum..	1,885	12,877
17	Louisiana	1,053	49,020	35	Maine	818	11,098		Puerto Rico	167	5,521
18	New York	1,039	209,039								

The District of Columbia and Puerto Rico are included in the table but are not ranked. State rankings are based on the number of reports per 100,000 population. Population estimates are based on U.S. Census population estimates for 2021. State level data excludes state-specific data contributor reports.

FEDERAL TRADE COMMISSION · ftc.gov/exploredata

FRAUD ID THEFT MAP (NJ)



HOW CONSUMERS ARE AFFECTED

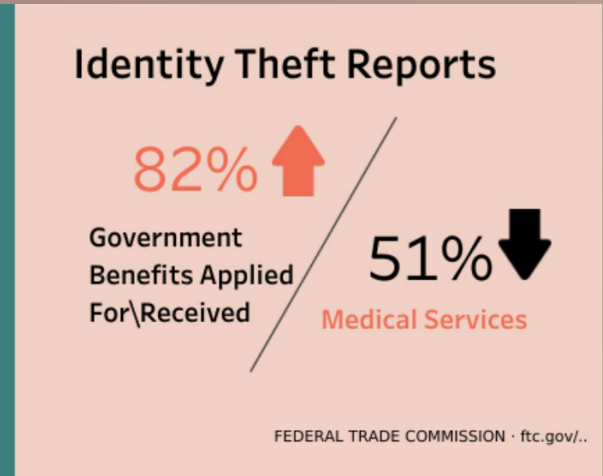
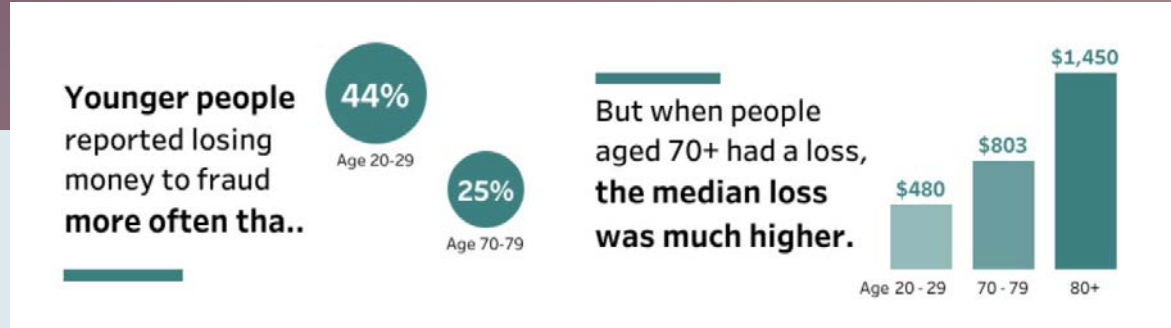
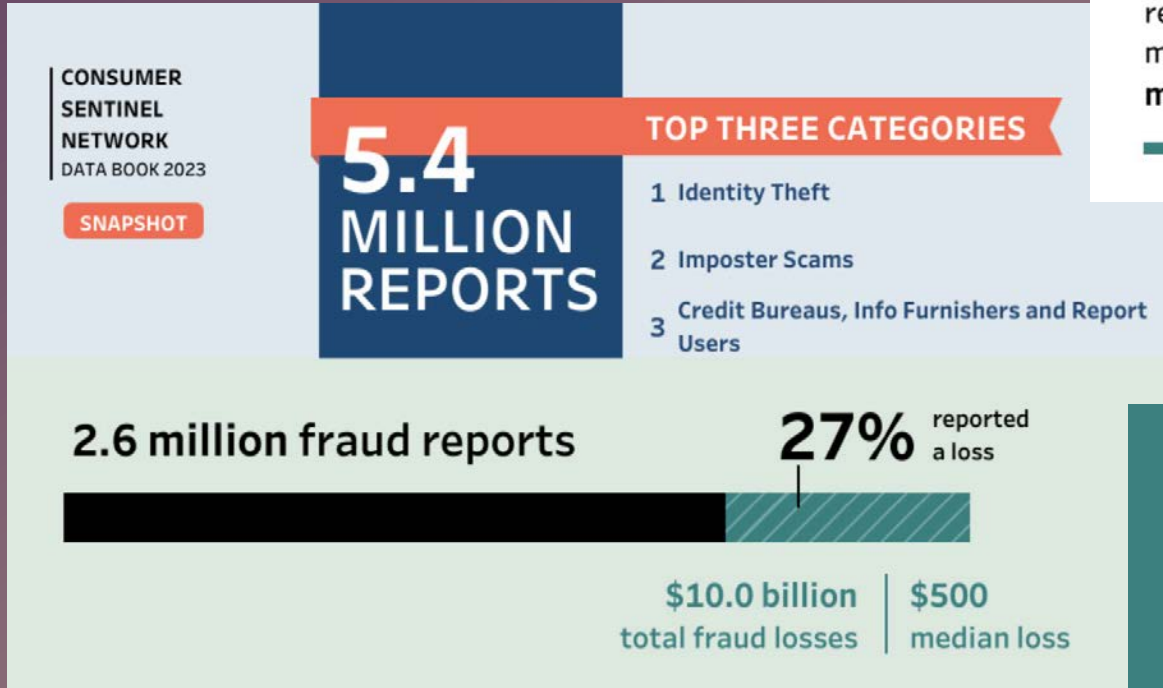
Naturally, **consumers** want to trust their energy provider to keep their lights on!

Fraud is derailing consumer trust and increasing complaints.

Fraud was the #1 reported category by the FTC for 2023 with over **5.4 million reports submitted**. Of those reports, **48% were fraud**.



HOW CONSUMERS ARE AFFECTED continued



“

What does the industry need?

A central or industry standard view on what's causing the fraud and safeguards that everyone agrees to use. Even legislation with significant penalties on actions that are taking place today like heavy fines or even jail time for the bad actors could have a positive impact on our industry.

Adam Cain - VP of Growth Marketing, PowerTarget

”

FRAUD PREVENTION BEST PRACTICES

Onboarding: Authenticate & credential vendors as part of your vendor management system (VMS).

Utilize technology, manual validations and check fail regularly.

Safeguard Against Fraudsters

- Enrollment-entry point integrations
- Pre-checks at verification
- Post checks

You **must** be flexible.

The fraud environment is ever-changing.



FRAUD PREVENTION BEST PRACTICES continued¹⁶

Third-Party Partners Include

- Third-party verification
- Email & phone fraud prevention APIs
- Identity verification APIs
- Credit bureaus
- Sync lists

Report Fraud to the FTC

- <https://ReportFraud.ftc.gov>



IDENTIFYING FRAUD

Monitoring

- Real time insights & reporting
- Develop a process & procedure for handling results

Auditing

- Vendor and agent training
- Performance of agents – watch for sudden "star" performers
- Consumer complaints assessment – look for patterns
- Verifying customer cancellations - are not spoofing

Location tracking agent/point of sale (POS) and customer tracking.



IDENTIFYING FRAUD continued

Verification with Customer

Churn Analysis

- Agent level - look for fraudulent behaviors.
- Number of days to churn/drop - look for patterns
- By vendor
- Look for patterns in markets/zips

Are your sales too good to be true?

A sudden uptick in sales, from an agent or channel, that is unexpected, should raise a flag.



COALITION

About the Task Force

Retail Energy Market (REM) Fraud Coalition is part of an industry-wide initiative to combat fraud that victimizes consumers and harms retail energy entities within the industry.

Why is the Coalition's Work Important?

Fraud committed by individuals, companies or organized crime has a devastating impact on consumers, government agencies and the overall health of the retail energy market. The Task Force invites participation from retail suppliers, brokers, vendors, regulatory departments, and agencies and consumer groups. By working together, we can achieve more effective and efficient outcomes. Drawing on our pooled resources, we can identify and stop fraud on a broader scale than any entity acting alone.



Q&A / FEEDBACK / NEXT STEPS

Submit A Question

Have a question about anything we've discussed here? Have comments or things you'd like to see in future webinars? Submit your questions in the chat window during this webinar or email questions to: hello@earthetch.com.

Future Fraud Webinars

- Consumer Perspectives
- Commission / Other Agency Perspectives
- Supplier / Broker / Vendor Perspectives
- Suggested Law or Rule Changes Required
- Marketing Lead Fraud
- Other Suggestions



RESOURCES

Additional Information on Fraud

- [Retail Electricity Fraud: Stop The 'Whack-a-mole' Madness](#)
CAPCO
- [Fraud Management in the Energy Industry](#) ^{PDF}
Management Solutions
- [A Triple Threat Across the Americas](#) ^{PDF}
KPMG 2022 Fraud Outlook
- [How to Protect Your Energy Account from Fraud and Energy Scams](#)
DIVERSEGY
- [Consumer Sentinel Network Data Book 2023](#)
FTC
- [Report Fraud To Fight Fraud](#)
FTC



Thank You For Attending



Hosted by the **Retail Energy Market (REM) Fraud Coalition**

