

# App allows businesses to shop for electricity

Zentility developers say they charge less in fees, provide better experience

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Need a ride? Click on Uber. Need electricity for your business? Click on Zentility.

Developers of the electricity-shopping app hope they can convince business executives that their product is as easy to use as the revolutionary car-hailing app, and that it will save them money over using conventional energy brokers to shop for power.

"We can literally charge a fraction of the fees and give customers a 10-times better process," said Zentility CEO and co-founder Ryan Peusch.

Founded a little more than two years ago, Zentility launched its app about 18 months ago, Peusch said. By the end of 2016, it was serving more than 500 commercial customers, each with two to three properties on average. Most are in Pennsylvania, Maryland and New Jersey, but some are in Texas. Zentility hopes to expand into all 17 states where businesses can choose their power suppliers.

That a tech-minded entrepreneur like Peusch would embrace the idea is not surprising. But supporters of the company and its concept include a veteran of the Pennsylvania utility field.

Former Pennsylvania Public Utility Commission chairman James H. Cawley, a retired attorney who now works as an energy consultant, was impressed enough by

Zentility to become a part-owner and vice president of strategy. He sees Zentility's approach as an antidote to existing models.

"The problem I see is, you have brokers who are charging too much and giving poor service," Cawley said. "They sign someone up for as long a time as possible, and they don't show up until it's renewal time, even though cheaper rates are available mid-term."

While deregulation was supposed to level the playing field for consumers, "a competitive market is not perfect if the customer does not have enough information," Cawley said.

Through continuous monitoring of clients' power usage, electricity rates and other factors, Zentility allows customers to switch providers — even in the middle of a contract, if the move would be cost-effective, factoring in a contract's early-termination fees, Peusch and Cawley said.

The company's headquarters are divided between the homes of investors in Maryland and Pennsylvania.

Its six-person staff includes three web developers in the Boston area, said Peusch, who spent nearly 10 years working for Constellation Energy Group and successor Exelon Corp. developing energy strategies for business customers.

Peusch and Cawley declined to name clients, but they said they are serving customers in the midstate.

So far, growth has occurred through word-of-mouth and the

investors' connections. Zentility aims to go from 500 customers to 500,000 or more over the next four to five years, Peusch said.

He declined to disclose financial results. "But Zentility is profitable," he added.

## How it works

To get started, customers create a user name and password on their electric utility's website in order to access their billing data, then they download the Zentility app free of charge from either the Android or Apple App Store, or from the company's website.

The customer then creates a secure Zentility user name and password, provides basic information and authorizes Zentility to access, use and distribute its billing data with energy suppliers for bidding purposes. By law and regulatory requirement, Zentility and potential suppliers must keep the information confidential.

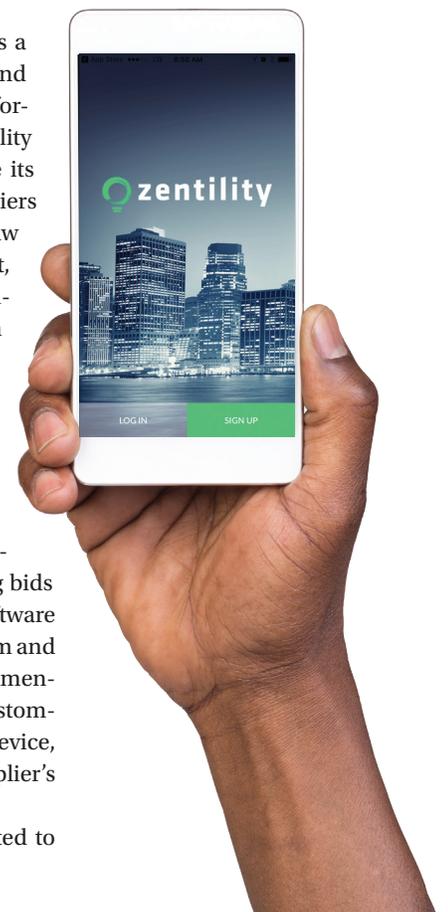
Zentility's software securely transmits the customer's data to and invites bids from energy suppliers that are licensed to do business in the state and have been vetted by Zentility. The resulting bids are conveyed to Zentility's software platform, which analyzes them and produces a report and recommendation that is e-mailed to a customer and/or sent to a mobile device, along with the winning supplier's proposed contract.

Customers are not obligated to

accept the app's recommendations. But if they do, they can signal their acceptance via the app or by email — likewise if they want to reject the recommendation and request different parameters or terms.

Alternatively, customers can authorize Zentility to act on their behalf. In that case, customers can still obtain instant or periodic reports on Zentility's actions.

When a customer accepts a supplier's offer (or Zentility acts on its behalf), the software executes the contract with the winning suppli-



er, and the supplier notifies the electric utility of the change in suppliers.

Some customers may change suppliers three times a year, while others tend to stay with a provider for 18 to 24 months, Zentility is finding.

As a part of its service, Zentility's software also provides energy efficiency and savings recommendations, and checks customers' electric bills for accuracy.

Customers usually pay no fees to Zentility. The company is paid instead by suppliers, and that fee is included in the supplier's prices and disclosed to customers — something Peusch says brokers do not always do.

On average, Peusch said, Zentility's fees are 65 percent to 75 percent lower than those offered by conventional brokers, but can be higher.

The industry standard is to calculate fees in fractional values known as "mills." For a midsize commercial building or a large car dealership, a traditional energy broker might charge on average 3 to 5 mills, or \$3 to \$5 per megawatt hour, which would translate into fees of between \$1,500 to \$2,000 per year on top of actual consumption.

Under Zentility's program, the same customer would pay \$900 to \$1,200 less in fees, Peusch said.

"For a small business that is good money," Peusch added. "For larger businesses we have seen \$20,000 or more in fee savings."

## Bringing transparency

Peusch and Cawley said that in addition to disclosing fees, they believe the service can educate consumers on shopping for the

best electricity rates.

"Energy is a super-confusing industry. Nobody gets it. Even some people in the industry are confused by it," Peusch said.

And that, he believes, is why the broker model has prevailed.

"People think, 'I just want my lights to turn on. Am I saving some money? And how can I do this with the least amount of friction possible?' And that's where the brokers have taken over this marketplace," he said.

Some electricity suppliers have hired salespeople to compete against brokers, Peusch added. "But the brokers are the majority of the market because customers don't want to deal with it."

He believes many consumers are paying too much as a result.

A Cumberland County broker counters that there is much value in the brokerage model, and that good brokers look out for their clients.

"A reputable broker/consultant is constantly watching the market for the next buying opportunity, not waiting until renewal time," said Steve Cantore, owner and president of Lower Allen Township-based URA Inc.

Cantore said it's rarely in the customer's best interest to cancel a contract mid-stream for a cheaper contract because "suppliers are not in the business of losing money and structure their termination clauses as such."

Founded in 1991, Cantore's company specializes in utility auditing, as well as electric and gas procurement. Cantore acknowledged that many licensed brokers "are telemarketers in Florida or Texas" just looking to get customers to switch and win based on

price alone.

And he recognized that some younger customers, especially millennials, may be more comfortable with an app, but he still believes in the human element.

"When working with an experienced, reputable broker, you can expect your multiple supplier bids to be from the suppliers who best fit your business and are reputable themselves. A computer app could match you up with the cheapest supplier who may in fact be just that, a 'cheap' supplier, resulting in unfavorable terms and conditions for the customer, inaccurate billing, etc.," he said.

He maintains it is industry standard to have the fee built into the suppliers' bid prices, that his firm's fees are transparent, and that brokerage fees are not as high as Zentility has said.

Peusch replied that broker fees can differ by customer size, but he insisted that Zentility's fees can be at least 65 percent lower than traditional brokerage fees.

"Can the broker compete with our technology for our cost, and can they do it better? We built in all of those consultative services they provide. We're talking about layers of process that have been cut out and save the customer time and money. This technology is going to continue to evolve and improve," Peusch said.

"And we work with all the reputable suppliers, all the big boys," he added.

Devin Hartman, electricity policy manager at the Washington, D.C.-based R Street Institute, a free-market think tank, says Zentility is the only business he is aware of "that has an app-based program for retail electricity cus-

tomers with such extensive automated functionality."

States have many suppliers — sometimes dozens — whose rates and terms of service constantly vary, Hartman explained. That requires continuous monitoring and evaluation of current deals to determine if a customer is better served by switching suppliers or plans.

"Paying a broker to monitor deals makes sense in many cases, but for some small customers the savings of such 'active management' may not exceed the broker fees," Hartman said. "In other words, the expense of continuously shopping isn't worth it."

An automated system such as Zentility may not only save money, he said, but prove less prone to error than human monitoring.

"As with all automated services, it's possible that some of a customer's needs go unmet if the interface and algorithms do not account for something a human broker would address," Hartman added. "But we've seen automation in other types of markets come a long way."

## Future goals

Zentility has its eyes on the future, both through improvement in its current business and in looking for other products or services that might benefit from similar technology, though Peusch said it's too early to say exactly what they might be.

"We think there are other markets we can take this to eventually, but energy is our core focus," he said. "Energy will be our love and core focus forever." ■

