

Wednesday, June 4, 2008

Ontario Energy Savings or Ontario Energy Slamming?

I have known for some time that the practice of "slamming" was not exclusive to the domain name industry. In my business we are well acquainted with outfits like Domain Registry of Canada and others. There are other related "business models" in the online space: trademark monitoring "services" that look like they come from an official source, nebulous business "directories" you're supposed to "renew your listing" in. These often look like invoices, run several hundred dollars and probably bank on the fact that a certain number of accounts payable departments will just treat them as such and remit payment on them.

We almost got stung in an offline counterpart to the domain slam: A company calling themselves Ontario Energy Savings came to our door and nearly slammed us over to their company for a 5-year contract on gas. The first time it happened I answered the door and I was under the impression he was from my existing gas company and he needed to "check something" but when he asked me for a copy of my gas bill I got irritated and got all crusty on him (note: my grouchy disposition saved me in the end). He had a hard time taking this which further fueled my aggravation, leading me to all but slamming the door on him.

A few days later my wife left some papers on my desk "something about our gas account" she said. They got to her on pass two and she isn't as belligerent as I am. They still needed me to ok the deal since the gas bill is in my name but every time they called me at night to get my confirmation I was in full-on testy mode and told them to call me at my office in the afternoon before hanging up. At this point I still thought this was all legit and was just some extremely tedious bureaucracy I had to deal with. They tried a couple times to get verbal confirmation from me over the phone but since I'm impatient and rude to a fault to anybody I think is a telemarketer (this is a personal character failing of mine, these people are just trying to do their jobs and I should just chill and politely decline, but I tend to be rude and testy and it's nearly cost me a few times over the years when it turned out not to be a salesman on the line, but a reporter...or a customer, etc), I just told them to call me tomorrow - at the office - and hung up.

Fortunately they gave up on that tack and tried mailing me a simple one-pager I just had to sign and mail back. That's when the haunting familiarity between what was going on and my experiences with domain slammers clicked in and I googled Ontario Energy Savings and then looked up my current natural gas price (about 24 cents per cubic meter in January) versus the "energy price protected" price they were offering to me on a five year commitment (42 cents per cubic meter).

The lightbulb finally went on, we were being chumped. At least that's what it felt like, so made sure to call them voice, cancel the process and obtain a cancellation confirmation from their agent.

Natural gas futures are typically traded in British Thermal Units while consumer gas deliveries seem to be priced in cubic meters, finding a conversion between the two was difficult, but according to this Wikipedia entry I think you can guesstimate it by saying 1 BTU is about 28 cubic meters.

At first I found myself wishing/wondering if some Black Swan event in natural gas could totally ruin these types of companies but then I doubt it. My guess is these outfits probably go out and buy forward contracts on natural gas which covers their commitments. It's a nice arbitrage scam in fact: sign people up now at 30% - 40% premiums over the current market rate, lock them in for 5-years. When I looked at the natural gas futures 5 years out I found the prices trending slightly lower it would mean their margins only get better over the life of the contract. It's a pretty sweet setup, all it takes are clueless consumers on the front end to lock in at inflated prices.

Posted by Mark Jeftovic in The Sleazemeter at 21:15

What do you think about their new product GEO - Green Energy Option?

I think it is a scam as well but it looks a little different. They are trying to get to people by looking "green".

Thanks for reply

Marcela

Anonymous on Mar 5 2009, 09:01