

The DESK

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SPECIAL REPRINT

Amerex Enters Retail Power

If Big Brokers are Now Pounding at the Gates of Retail Power, Perhaps it's Time to Give Retail its Due...

In the energy sector – or in any other commodity market for that matter – you can always tell when a market is on the upswing: The big brokers put a stake in the ground. We've seen it before, in wholesale power, carbon emissions, bandwidth and now, retail power. Retail power? You heard right folks, this week big brokerage Amerex Energy announced it had not only formed a new retail power desk but that it had also nailed a few big retail deals. We think this is a very interesting development. Unlike the principals in this sector, the energy merchants, producers and the like, who often venture forth into new areas investing goofy amounts of money on untried and untested models and markets, brokers will hang back a bit and wait for the market to form up – and then offer up their services

Last time we checked though, few industry experts have issued the usual go-signals to the retail power markets, signaling it as a place where anybody can make a buck worth writing home about. Sure, there are exceptions – markets such as Ercot, NY/NJ and some spots in the MidAtlantic and MI/OH are developing nicely. But the number of energy retailers out there claiming broad success is still a small club – Constellation NewEnergy, Strategic Energy, Tractebel and a couple others.

Nonetheless, these Amerex guys see a big opportunity in retail power and are now staffing up and forming a significant presence in Ercot. And, as we learned this week in an interview with new retail power desk chief Rob McKim and Amerex

Energy COO Clay Davis, Ercot is just the beginning. For the past few years, McKim was head of the pricing desk at Reliant.

Another interesting detail in this new Amerex retail strategy has to do with the size of the target customer. Davis tells *The Desk* that big customers are not the primary object of their efforts. "We're prepared to go after the sub-100 KW accounts as well. Our primary target is the small- to medium-sized C&I. And here in Texas, the opportunities are fantastic."

So far as we can tell, Amerex's timing might be ideal. Their competition in the brokerage market for retail power is made up of mostly smaller shops, mom-and-pop advisory or boutique risk outfits that formed shortly after the big merchants hit the skids. As we've written on a number of occasions over the past couple years, there is indeed a big void in the market when it comes to this sort of retail service – particularly in Texas, which happens to be home court for Amerex Energy. The first-mover status and the home-field advantage were two other reasons Ercot was considered a gimme for the new desk.

Grapevine had it that Amerex Energy had been nosing around the NY/NJ markets recently, possibly opening a new office in NYC. Would this play into the new retail brokerage strategy? "Absolutely," Davis says. "NY is a great market; we see a lot of opportunity up there in the retail power market as well.

"Retail power is a very complicated business. Having a guy like Rob [McKim] on board, with his skills, means we'll be able to bring a different product to market than what's being currently offered. There are a lot of broker shops out there, smaller shops to be sure, and they

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have their limits on what sort of services and operations they can offer. With our platform and our wholesale customer base, we're well-positioned to fill the void you've been talking about."

The new group is registered in Texas as Amerex Retail Energy Services, Ltd, a retail power aggregator, as opposed to power supplier.

Looking back over the past six months, Amerex has released all sorts of new services for its traditional wholesale customers, like the Xcheck platform, data services, EnergyCurves and so on. McKim and Davis suggest that all the tools in the Amerex arsenal will be leveraged to serve the new retail customer base.

"We'll be exploiting all the technological investments that we've made to the fullest," Davis says. This will include Web-based customer interfaces, transaction systems and other services, McKim says. "Aggregators by and large can only offer a deal based on price. We can go quite a bit deeper than that for our C&I customers and for our supplier customers."

Could brokers such as Amerex be viewed as competition for retail suppliers in the market? Davis says that couldn't be further from the truth. "Our job, if we do it right, is to make sure we increase the deal flow of C&I customers to REPs [retail energy providers]. Think of what we do in the same context as commercial insurance brokers. When you go to renew your corporate health plan, you typically have multiple offers on the table. So what do you do? You go to a broker, who will shop around for the best deal for you among the insurance providers. This way the customer gets the best plan, and the plan provider gets new business," he says.

"We're a bit ahead of the curve in this market, among the other big brokers," McKim says. "This is a complicated business, and most brokers lack the technical expertise. You have to know about tariffs and ancillaries and the nuances of shaped power – that's not the typical game that brokers play in."

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