



Rockwood Energy Search LLC

P.O.Box 637 Spring Lake, NJ 07762 | 732 681.2811 TEL | 732 782.0203 FAX | info@rockwoodsearch.com

Trends in Retail Energy Recruiting-2011

Here we are, 3 years after the financial crash of 2008-2009, and wholesale power prices are still languishing.

But the spread between wholesale power and retail power remains high, and is expected to remain so for the next year or so at least.

Both Growth & Consolidation

This spread continues to fuel the growth---and now the consolidation---of the retail energy sector.

While we still have startups, the major trend is the expansion of the existing players into power from natural gas or into the new service territories.

Additionally, a number of existing players are expanding into residential.

Simultaneously, we are seeing buyouts. Some examples of recent larger buyouts are:

- Constellation New Energy buying MX Energy.
- Direct Energy buying First Choice.

The largest buyout/consolidation of a sort is the pending purchase/merger of Constellation by Exelon, who is thought to see Constellation New Energy as a prime asset to own. Exelon did start its own retail energy unit, but that still remains small. It still needs a higher margin place for its large generation fleet.

A number of knowledgeable people we talked to expect the consolidation to continue. The prices that sellers can command are still high, so that's a significant incentive.

The recent price spikes in ERCOT are also a motivation, since some unknown number of companies are licking their wounds after being slammed by a week of extremely high wholesale prices. Some weakened firms will want to cash in.

What Happens to the Jobs and the Talent Pool?

Our search firm has worked on---and continues to work on---a range of jobs in this space. We expect it to continue into 2012 as companies open up new territories and spend more time efforts to reach smaller---and potentially more profitable customers.

We expect continued demand for sales staff that has solid experience. Most firms have a viable business platform, but want that incremental revenue that can come from knowledgeable sales people.

The mid and back office of the firms will grow incrementally as firms refine their operations. There are jobs for junior and mid-level staff.

The company consolidations are not expected to weigh heavily on junior and mid-level jobs, since it will take time for these consolidations to take place and internal growth is creating jobs at the larger firms.

When Direct Energy bought Strategic Energy , it took almost two years for the consolidation to take place.

New Job Types

With firms spending more time on residential and smaller B2B marketing, a number of companies have added channel marketing roles to focus more effectively on these submarkets.

Since the retail energy business is largely an outgrowth of wholesale and industrial marketing, it doesn't have an internal source of people to fill these roles.

So, firms have hired telephone marketing managers, channel marketing experts and the like.

NRG has even gone so far as to buy an affinity marketing company, EnergyPlus, of Philadelphia, paying \$190MM for a firm that advertises that it has "almost 150,000" customers. The firm offers reward programs to endusers who switch residential services to them. Whether NRG plans to use that firm in any of its other markets is not known.

But, Middle Management Will Get Squeezed

As is the case with most mergers, the highest toll of lost jobs will be middle management.

A number of these people were involved early in the startups, so they have buyout packages. So, it may not be too painful.

The issues, though, is that running a large, cost-sensitive firm requires very competent management who can demonstrate expertise in larger management structures. Many of the startup managers don't have this type of background.

It's too early to tell the outcome for middle management jobs, since growth of the businesses may be enough to support larger staffs.

Should costs rise, or wholesale prices move closer to retail, then there will be tremendous pressure on eliminating middle management roles.

Will Senior Management Start Over?

The consolidations will surely displace senior executives over a period of time. When their non-competes expire, will they start over?

If the money is available from backers, why not? Many of these execs are still young, and have enough money in the bank to have time to look around for other opportunities. So, they may end up in renewables, in a specialty sector of retail energy sales, or even in a software firm that services the energy business..

The great thing about the energy business is its diversity and potential for entrepreneurial activities. As the regulatory, environmental and economics backdrop change, new opportunities will surface.