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BILL NO.: **Senate Bill 1075**
Public Service Commission – Electric Affordability
Program - Study

COMMITTEE: **Senate Finance**

HEARING DATE: **March 23, 2016**

SPONSORS: **Senators Klausmeier and Feldman**

POSITION: **Informational**

Senate Bill 1075 requires the Public Service Commission to study and make recommendations related to the advisability of establishing an opt-in electric affordability program among retail electric companies for residential and small business customers in the major investor-owned utility service areas. The Bill sets out several study components. In making its recommendations, the Commission must consider the best interests of electric customers related to cost and reliability of electric service. The report is due December 31, 2016.

Maryland has been a “retail competition” state since 1999. Residential and small business customers are able to receive their electricity supply from their local electric company or from licensed retail electric suppliers. The number of residential customers served by retail electric suppliers peaked in 2013, with 26.3% of residential customers

statewide in December 2013, and has declined since then, to 23.6% in December 2015.¹ The highest number of licensed suppliers actively serving residential customers is in the BGE service territory, and the numbers vary monthly.² Low-income customers, including EUSP participants, are able to contract with energy suppliers and receive EUSP benefits.

For the majority of customers who receive electricity supply from their electric companies, the supply procurement is subject to the requirements of Maryland law and Commission law and regulations. The Commission is required to establish a procurement process that is designed to obtain the “best price for residential and small commercial customers in light of market conditions at the time of procurement and the need to protect these customers from excessive price increases.”³ Since 2005, this Commission-approved process for “Standard Offer Service (SOS)” has consisted of a competitive bid solicitation process that is conducted two times a year⁴ for laddered 3-year contracts with competitive suppliers. The Commission has retained a consultant to assist in the review of the bidding process and results, and conducts a proceeding within a few days of the bid solicitation to verify that the process and result were competitive and reasonable.⁵

Since May 2007 OPC has conducted a monthly review of publicly available supplier offers in comparison with the respective electric company SOS price. There has been some variation over time in terms of suppliers “beating” the current SOS price, depending on overall market conditions, but in the most recent years, most supplier prices are generally equivalent to or higher than SOS prices. OPC also has seen variation in the mix of fixed and

¹ See Electric Choice Monthly Enrollment Reports on Commission website at www.psc.state.md.us.

² In December 2015, the Enrollment Reports listed 57 suppliers serving residential customers.

³ PUA § 7-510(c) (4) (ii).

⁴ The Potomac Edison Company has a slightly different schedule.

⁵ OPC, with the assistance of a consultant, also reviews the process and results for any anomalies.

variable price contracts over time. In the time leading up to the 2013-2014 winter, there was a significant increase in the number of variable rate offers (and contract roll-overs to variable rates). The number of variable rate offers has declined significantly since then, and most publicly available offers are for 6, 12 and 24 month fixed rate contracts, with a range of additional fees and cancellation fees. The lower supplier rates are typically lower than SOS rates by one cent or less per kilowatt hour.

In response to the large number of customer complaints during the winter of 2013-2014⁶ and legislation requiring report on the adequacy of consumer protections for customers served by retail suppliers⁷, the Commission initiated a proceeding (PC35) in 2014 to review the status of current regulations and solicit recommendations. The Commission subsequently established a rulemaking proceeding (RM54) to consider revisions to the existing energy supplier regulations. This was a lengthy process and resulted in the Commission recently granting final approval to the revised regulations on February 10, 2016.⁸

With regard to additional energy efficiency or other energy management services, the five major electric companies and SMECO offer a variety of services to residential customers under the EmPOWER Maryland program, and there are competitive energy management companies and services in the marketplace.

⁶ There were high numbers of consumer complaints in New England and Mid-Atlantic retail competition states resulting from excessive variable rates charged to customers during the winter. As a result, states such as Massachusetts, New Jersey, Pennsylvania and Maryland instituted investigations and revisited consumer protection laws or regulations regarding energy suppliers. Most of the complaints involved deceptive marketing, failure to comply with state laws and regulations, difficulty getting out of supplier contracts, cancellation fees and slamming.

⁷ Acts 2014, c. 77 and 78.

⁸ These regulations were published with an effective date of March 14, 2016. The Commission granted a waiver to energy suppliers for compliance until May 1, 2016.