Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 382 (Senator Hershey)
Finance

Electric Companies - Customer Choice of Electricity Supplier - Smart Meters

This bill requires the Public Service Commission (PSC) to adopt regulations or issue orders that require, if a customer has a "smart meter," an electric company to process a transaction for enrollment from an electricity supplier to be effective within three business days after receiving the transaction.

Fiscal Summary

State Effect: PSC can handle the bill's requirements with existing budgeted resources.

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary: "Smart meter" means a digital meter that allows two-way communication between an electric customer's premises and an electric company through a wireless network as a component of advanced metering infrastructure.

Current Law: "Customer choice" means the right of electricity suppliers and customers to utilize and interconnect with the electric distribution system on a nondiscriminatory basis at rates, terms, and conditions of service comparable to the electric company's own use of the system to distribute electricity from an electricity supplier to a customer, under which a customer has the opportunity to purchase electricity from the customer's choice of licensed electricity suppliers.

PSC regulations for customers switching from competitive electric supply service to another electricity supplier or standard offer service (SOS) specify that, generally, an electric company must process an electronic transaction for enrollment from an electricity supplier to be effective on the customer's next scheduled meter reading date. However, if an electronic transaction for enrollment is received by an electric company less than 12 days before the customer's next scheduled meter reading date, then the enrollment must take effect on the customer's subsequent scheduled meter reading date. The effective dates for customer drops are identical to those of customer enrollments.

A supplier may not enroll a customer without the customer's consent. A supplier may not add a new charge for a new service, existing service, or service option without first obtaining consent from the customer. A customer may file a dispute with PSC's Office of External Relations to seek a refund of any overcharge and any fees or penalties paid by the customer as a result of an unauthorized enrollment.

Background: The Electric Customer Choice and Competition Act of 1999 (Chapters 3 and 4) facilitated the restructuring of the electric utility industry in Maryland. The resulting system of customer choice allows the customer to purchase electricity from a competitive supplier or to continue receiving electricity under SOS. Default SOS electric service is provided by a customer's *electric company*. Competitive electric supply is provided by competitive *electricity suppliers*.

The State is in the process of transitioning to smart meters as the major electric companies continue to replace traditional analog meters with smart meters under plans authorized by PSC. For more information related to smart meters and their installation in the State, see the **Appendix – Smart Meter Deployment**.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Office of People's Counsel, Department of Legislative Services

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mel/lgc

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Appendix – Smart Meter Deployment

Advanced metering infrastructure (AMI), which includes "smart meters" replacing traditional analog meters at customer residences, is seen as a key component for enabling smart grid technology. The deployment of AMI enables customers to see and respond to market-based pricing. Smart grid technology incorporating AMI can assist in increasing grid reliability, reducing blackout probabilities, reducing forced outage rates, and can help to restore power in shorter time periods.

The Public Service Commission (PSC) authorized Baltimore Gas and Electric Company (BGE) to deploy smart meters in August 2010, authorized Potomac Electric Power Company (Pepco) in September 2010, and authorized Delmarva Power and Light (DPL) in May 2012. The Southern Maryland Electric Cooperative (SMECO) also has a PSC-approved pilot program in part of its service territory. Combined, PSC has authorized the installation of more than 2.6 million smart meters. As of November 2014, BGE, Pepco, and DPL had completed approximately 1.4 million (68%), 560,000 (99%) and 210,000 (96%) of their planned installations, respectively. BGE's opt-out rate is less than 2%, while Pepco and DPL each report opt-out rates of less than 1%. Many of the remaining installations involve meters located inside of residences, an inherent challenge due to the need to schedule an appointment with customers.

Among the public and the General Assembly, there remains some concern about the widespread deployment of smart meters, particularly in relation to customer privacy and safety. HB 878 of 2012 (failed) would have required electric companies to offer an "opt-out" option from smart meter installations. Similar legislation (failed) was also introduced in 2013. However, in May 2012 PSC issued an interim order (No. 84926) allowing customers to decline smart meter installations until PSC made a final ruling. In January 2013 PSC issued another order (No. 85294) that preserved the interim opt-out and required BGE, Pepco, and DPL to submit, by July 1, 2013, their proposals regarding the overall additional costs associated with allowing customers to retain their current analog meter, cost-recovery proposals, and proposals related to offering either radio frequency (RF)-free or RF-minimizing meter options.

PSC issued a final order (No. 86200) in February 2014, which preserved the ability of customers to opt out of smart meter installations and also established an opt-out fee schedule for each electric company. For customers of each of the four electric companies, there is a one-time fee of $75 and an ongoing monthly charge, which is $11 for BGE, $14 for Pepco, and $17 for DPL and SMECO. This is consistent with opt-out fees in other states. In California, for example, most customers of Pacific Gas and Electric Company must pay a one-time fee of $75 and a monthly charge of $10 to opt out of the program (low-income customers pay less). The order also addressed the issue of nonresponsive customers by authorizing the utilities to transition nonresponsive customers into the opt-out program. Opt-out fees are waived following the transition of a nonresponsive customer into the opt-out program if that customer contacts the utility within 30 calendar days to schedule the installation of a smart meter.