

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 681
 Finance

(Senator Washington, *et al.*)

Electricity Suppliers and Gas Suppliers - Consumer Protections

This bill authorizes the Office of People’s Counsel (OPC) to investigate and request specified documents from a retail electricity or gas supplier, subject to specified requirements. Unless the Public Service Commission (PSC) determines that a supplier is not required to respond, a supplier must provide written responses and documents to OPC. Separately, PSC must, after notice and a hearing, order suppliers to cease and desist certain actions and take other affirmative actions, including paying restitution to all customers harmed by the supplier’s actions. Suppliers are prohibited from switching a customer from a fixed rate to a variable rate without first obtaining the customer’s written consent, are prohibited from imposing an early termination or cancellation fee of more than \$50 and must include additional information on customer bills.

Fiscal Summary

State Effect: Special fund expenditures for PSC increase by \$168,700 in FY 2021. Future year expenditures reflect annualization and the elimination of one-time costs. Special fund revenues increase correspondingly from assessments imposed on public service companies. OPC can handle the bill’s requirements with existing budgeted resources.

| (in dollars) | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|----------------|-----------|-----------|-----------|-----------|-----------|
| SF Revenue | \$168,700 | \$198,600 | \$203,000 | \$209,800 | \$216,900 |
| SF Expenditure | \$168,700 | \$198,600 | \$203,000 | \$209,800 | \$216,900 |
| Net Effect | \$0 | \$0 | \$0 | \$0 | \$0 |

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background:

Consumer Protections

An electricity or gas supplier must be licensed by PSC before doing business in the State, and PSC is required to adopt related regulations or issue orders related to consumer protections. PSC regulations related to competitive electricity and gas supply cover topics such as customer initiated switching of suppliers, the resolution of enrollment disputes between customers and suppliers, supplier marketing, contracts and rates (including switching from fixed to variable electric rates) and the relationship between a supplier and its agents.

OPC is responsible for ensuring the interests of residential and noncommercial utility customers are protected. OPC evaluates each matter pending before PSC, appears before PSC on behalf of customers, and conducts investigations/requests that PSC initiate proceedings to protect the interests of customers.

Customer Choice – Generally

The Electric Customer Choice and Competition Act of 1999 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 standard offer service (SOS). Default SOS electric service is provided by a customer's *electric company* (e.g., Baltimore Gas and Electric Company or Pepco). Competitive electric supply is provided by competitive *electricity suppliers*. In either case, the electric company delivers the electricity and recovers the costs for delivery through distribution rates. Gas supply and delivery are similarly restructured, with gas suppliers and gas companies.

For more information on competitive supply, see a 2018 [report](#) on the competitive retail electricity and gas markets in Maryland conducted on behalf of OPC.

According to PSC's late 2019 monthly customer choice enrollment reports, about 19% of residential customers are served by electricity suppliers (customers of the four large investor-owned utilities and the Southern Maryland Electric Cooperative). A similar percentage of residential customers are served by gas suppliers (customers of Baltimore Gas and Electric and Washington Gas).

State Fiscal Effect: The bill authorizes OPC to conduct investigations of electricity and gas suppliers and requires PSC to handle associated discovery disputes outside of docketed

cases. The bill also requires restitution for suppliers' customers if PSC finds just cause and that the customers have experienced financial harm. PSC advises that these provisions likely significantly increase the workload of PSC's technical staff and Consumer Affairs Division.

Accordingly, special fund expenditures for PSC increase by \$168,681 in fiscal 2021, which accounts for the bill's October 1, 2020 effective date. This estimate reflects the cost of hiring one staff attorney, one regulatory economist, and one *half-time* administrative specialist to handle the additional workload related to retail suppliers anticipated under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

| | |
|---------------------------------------|------------------|
| Positions | 2.5 |
| Salaries and Fringe Benefits | \$148,132 |
| Other Operating Expenses | <u>20,549</u> |
| Total FY 2021 PSC Expenditures | \$168,681 |

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses. Special fund revenues increase correspondingly from assessments imposed on public service companies as authorized under current law.

Small Business Effect: Small electricity and gas suppliers are prohibited from switching customer rates from fixed to variable without written consent and are prohibited from charging early termination or cancellation fees of more than \$50. Suppliers must also provide additional information on customer bills. Depending on the existing practices and capabilities of a particular supplier, the effect may be meaningful.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 20, 2020
rh/lgc

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