Switching utility companies means many low-income Marylanders paying more | COMMENTARY

By BROOKE LIERMAN and MARY WASHINGTON

FOR THE BALTIMORE SUN |

SEP 22, 2020 AT 1:23 PM

Switching utility companies to third party suppliers is costing low-income Marylanders more than they can afford. (Maksim Shchur/iStock/Getty Images Plus)

If you have received a knock on the door or a call on your phone from an energy company other than a main regulated supplier such as BGE or Pepco, then you know that Maryland has a busy third-party retail utility market.

Since the COVID-19 pandemic began, regulators have prohibited utility shut-offs for families unable to pay their bills. However, just as the weather is beginning to turn and as students are staying at home to participate in school, the utility termination moratorium is scheduled to end — on Oct. 1. Although the Office of Home Energy Programs has grant money available for families to help pay their bills, for families who have signed up with third-party energy suppliers, the funds may not be enough to prevent a shut-off.

These third-party suppliers have led consumers into thinking that a switch from their regulated utility supply will save them money. In actuality, on average, households that choose third-party suppliers are **paying more,** not less, after switching. Maryland's energy market was deregulated under the wide-sweeping 1999 Electric Choice Act. As of July, 418,000 Maryland households, about 18%, have switched from their regulated energy supplier — BGE, Pepco, Delmarva, SMECO or Potomac Edison — to one of the 70 or so deregulated third-party suppliers.

The switch from standard service to a third-party retailer always starts with a promising offer: switch from your current energy supplier for savings and maybe even rewards (maybe free airline miles). If you decide to switch, you may pay a lower rate to start — or if you've signed up for a variable rate — your rate may then spike from the introductory low rate.

Adding to higher utility bills, these deregulated supplier contracts often include sky-high exit fees, which can trap lower-income families into predatory energy contracts. These increased rates do not affect all

Marylanders equally. Some 30,000 of these households are extremely low income and are receiving state-funded energy bill assistance through Maryland's Office of Home Energy Programs (OHEP) to help them pay high utility bills.

During the truncated 2020 Maryland legislative session, we introduced the Energy Assistance Protection Act (**S.B. 685** and **H.B. 1224**) to ensure that Maryland taxpayers' energy assistance dollars are not wasted on more expensive third-party energy suppliers. Data conclusively show that third-party suppliers are profiting from millions of state energy assistance dollars rather than fully paying down customer utility bills. The result is a loss for both Maryland consumers and Maryland taxpayers, and a win for third-party suppliers.

From 2014 to 2017, Maryland households lost millions of dollars using third-party suppliers, paying about $255 million more for electricity than if they had simply stayed with their regulated utility provider, **according to the Abell Foundation**. A survey of households in Southern Maryland found that customers paid on average about **$500 more per year** using a third-party electric suppliers. In Baltimore City a survey of 40 accounts whose owners had applied for state help paying their energy bills after getting cutoff notices found that their average electricity rate was 51% higher than BGE and their natural gas rate 78% higher.

Here's how this plays out in reality: If a low-income household on third-party energy supply paid an extra $500 a year for choosing deregulated supply, there's a greater chance they will get behind on their utility bill. The average OHEP household had about $16,000 in income in 2018. If that household later applied for and received a $500 OHEP grant, that grant was wasted on the premium price paid for utilities and still didn't help the family by making utility costs affordable.

Some third-party suppliers have targeted low-income consumers through aggressive door-to-door sales and setting up tables outside Department of Social Services offices, where residents apply for energy assistance. Such suppliers are incentivized to target households likely to need energy assistance because they are guaranteed payment, even if their customers don’t pay their bills. Maryland regulations put the risk of consumer default on utilities, not on suppliers. The Energy Assistance Protection Act would solve this problem by holding suppliers to their word. It would allow customers to retain a choice of energy suppliers, and would require any third-party supplier who wants to sell to households that receive OHEP funds to guarantee that their net price to consumers be lower than standard rates available through their regulated utility.

Other states, including Ohio, New York and Pennsylvania, have already taken similar action, in some cases designing programs guaranteed to have rates lower than those through the standard regulated utility. Maryland taxpayers should not be on the hook to guarantee profit to third-party energy suppliers who are exploiting low-income residents. Our legislation, when enacted, would guarantee that this exploitative practice would end. We look forward to championing this legislation during the next legislative session.

Del. Brooke Lierman (brooke.lierman@house.state.md.us) represents District 46 in the Maryland General Assembly. Sen. Mary Washington (mary.washington@senate.state.md.us) represents District 43.