

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 24 (Delegate Hubbard, *et al.*)
Economic Matters

Finance

Electric Industry - Aggregation Pilot Program - Counties and Municipal Corporations

This bill authorizes Montgomery and Prince George's counties or their municipal corporations to act as an aggregator that purchases electricity on behalf of customers under specified conditions.

Uncodified language that directs the Public Service Commission (PSC) to establish standards and procedures to implement the bill is effective June 1, 2003. The remainder of the bill is effective October 1, 2003.

Fiscal Summary

State Effect: The Public Service Commission could handle any additional work resulting from the bill using existing budgeted resources.

Local Effect: Because the bill is enabling in nature, it is expected that unless Montgomery and Prince George's counties, or their municipalities, could act as aggregators with a generally neutral net fiscal effect, they would not choose to become aggregators.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: This bill allows Montgomery and Prince George's counties or their municipal corporations to act as an aggregator that purchases electricity on behalf of

customers unless PSC determines that more than 20% of the retail residential and small commercial electric customers within the boundaries of the county or municipal corporation have selected an electric supplier other than the standard offer service supplier.

A county or municipal corporation that chooses to act as an aggregator pursuant to the bill must send a specified notice to residential and small commercial electric customers, other than customers of an electric cooperative. A customer is deemed to have given permission to the county or municipal corporation to act as its aggregator if the customer explicitly grants permission by returned notice, or if the customer fails to return notice within 30 days of receipt. An eligible customer may opt into a county's or municipal corporation's aggregation activities at any time it chooses to discontinue services with another electric supplier. A customer may also withdraw from the program at any time but may not return for a period of one year after withdrawal.

A county or municipal program may not charge a lower price for electricity supplied to governmental facilities than is charged to residential and small commercial customers or otherwise engage in a self-dealing arrangement. The county or municipality may not assume or undertake any commodity price risk, counter party credit risk, customer purchase volume risk, or any other similar risk.

PSC must establish standards and procedures to implement the bill by October 1, 2003. In adopting regulations, PSC must consider: (1) how to ensure that aggregation activities are separated from other governmental activities so that benefits of aggregation are passed on to ratepayers; and (2) whether to define a priority system to determine which governmental entity has the first opportunity to act as aggregator for a shared customer base.

Current Law: A county or municipal corporation may not act as an aggregator unless PSC determines there is not sufficient competition within the boundaries of the county or municipal corporation.

Background: Aggregation allows customers to benefit from electric competition by pooling together to negotiate discounted prices.

Local Fiscal Effect: The bill is enabling in nature and is not expected to have a net effect on expenditures or revenues for counties or municipalities that choose to become aggregators. It is assumed that aggregation would generally be performed on a cost-recovery basis.

Small Business Effect: To the extent that small businesses could benefit from lower energy costs through aggregation, the bill could have a positive effect.

Additional Information

Prior Introductions: In 2001, HB 198 was referred to interim study by the Environmental Matters Committee. In 2002, HB 345 was not reported out of the Environmental Matters Committee.

Cross File: None, but SB 37 is a substantially similar bill.

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

Fiscal Note History: First Reader - January 27, 2003
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Analysis by: Karen S. Benton

Direct Inquiries to:
(410) 946-5510
(301) 970-5510