

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 629
Finance

(Senator Della)

Electric Utility Regulation - Standard Offer Service

This bill extends the date for when an electric company must provide standard offer service for residential and small commercial customers from July 1, 2003 to January 1, 2009 or as specified in a settlement agreement. During that time frame, an electric company must provide standard offer service at a rate determined by the Public Service Commission (PSC). PSC may extend the obligation to provide standard offer service beyond January 1, 2009 if it finds that the electric supply market is not competitive. The bill also allows an electric company to meet its standard offer service obligations by entering into a long-term contract with an electricity supplier.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: The bill's changes could be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: The bill could prevent the increase in small business electric utility costs until January 1, 2009.

Analysis

Current Law: The obligation of an electric company to provide standard offer service expires July 1, 2003 unless PSC determines that the electric supply market is not

competitive or that no acceptable competitive proposal has been received to supply electricity. This still applies to medium and large commercial customers.

Background: Chapters 3 and 4 of 1999 restructured the electric utility industry in Maryland. The primary feature of the restructuring was the introduction of customer choice. Prior to the deregulation, a customer could only purchase electricity generated or otherwise supplied by the electric company that had a franchise to operate in the customer's service territory. Customer choice allows the customer to purchase electricity generated by other sources, and have the electricity delivered over distribution lines of the local electric utility. However, a customer is not required to purchase electricity from another generator. The customer has the option to remain with the current supplier, under the standard offer service.

Standard offer service is electricity supply purchased from the electric company that distributes electricity to the customer. Until July 1, 2003, each electric company must offer standard offer service to a customer who does not choose a new electricity supplier, has not been offered customer choice, contracts for outside electricity supply that is not delivered, or has been denied service by an electricity supplier. After July 1, 2003, if the electricity supply market is not competitive or PSC has received no acceptable competitive proposal for supplying standard offer service, PSC shall extend the obligation to serve at a market price that allows the electric company to recover verifiable, prudently incurred costs to procure or produce the electricity plus a reasonable return.

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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