

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 311 (Delegate Stern, *et al.*)
Economic Matters

Task Force to Study Competition in the Residential Electricity Supply Market

This bill establishes a Task Force to Study Competition in the Residential Electricity Supply Market. The task force must submit a report of its findings and recommendations to the Governor and the General Assembly by December 31, 2005.

The bill takes effect June 1, 2004 and terminates May 31, 2006.

Fiscal Summary

State Effect: This bill will not materially affect State government operations.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force is required to: (1) study the effect of restructuring the electric industry on residential customers; (2) study and assess ways to stimulate competition in the residential electricity supply market; (3) develop strategies to educate consumers as to customer choice in the electric industry; (4) obtain public input on the development of competition in the residential electricity supply market; and (5) make appropriate recommendations on any changes that may be advisable in order to stimulate competition in the residential electricity market. The Public Service Commission (PSC) must staff the task force.

Background: Electric deregulation was passed as Chapters 3 and 4 of 1999. The deregulation included price caps for residential electricity suppliers. Price caps had different termination dates for different service areas. Price caps will end for Potomac Electric Power Company (PEPCO) and Delmarva Power service areas on July 1, 2004. Baltimore Gas & Electric service area price caps end July 1, 2006, and Allegheny Power service area price caps end December 31, 2008. Price caps for large industrial customers have already expired.

PSC recently entered into a settlement (Phase II) with regulated electric utilities that requires utilities to provide a basic service package (Standard Offer Service – or SOS) to all residential customers for a period of four years after price caps are removed. PSC is currently overseeing a bidding process for the PEPCO/Conectiv SOS contracts. These contracts will combine one- to three-year contracts for electricity load blocks into a blended rate for residential customers.

The Office of People’s Counsel (OPC) reports that significant residential electric choice is only occurring in PEPCO’s service area, with 15.7% of customers having service provided by an alternate supplier through May 2003. OPC expects that level of residential competition to diminish in 2004. According to OPC, no other service area has reached 0.1% of residential customer choice.

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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