Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 12 (Senator Green)
Finance

Electric Industry - Aggregation - Counties and Municipal Corporations

This bill authorizes counties or 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, 2004. The remainder of the bill is effective October 1, 2004.

Fiscal Summary

State Effect: PSC could handle any additional work resulting from the bill's provisions with existing budgeted resources.

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

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

Analysis

Bill Summary: A county or municipal corporation that chooses to act as an aggregator must first apply to PSC for a license as an electricity supplier. At that time, PSC must determine if 20% or more of retail residential and small commercial electric customers inside the jurisdiction have selected an electricity supplier other than the standard offer service supplier. If so, the jurisdiction may not become an aggregator.

An aggregating county or municipal corporation must send a specified notice to residential and small commercial customers in the jurisdiction, other than customers of an electric cooperative and those who have already obtained service from a competitive supplier. 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.

PSC must establish standards and procedures to implement the bill by October 1, 2004. 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.

The definition of aggregator is also expanded to include counties and municipal corporations.

Current Law: Counties and municipal corporations may not act as aggregators for electricity services unless PSC determines there is insufficient competition within the boundaries of the county or municipal corporation.

Background: The Office of People's Counsel (OPC) prepared a July 2003 report entitled *Electric Choice Report 2003*. In that report, OPC noted that there have been successful aggregators who are purchasing electricity for use by commercial organizations and governmental units, not residential customers. The Mid-Atlantic Aggregation Group Independent Consortium purchases electricity on behalf of its clients including trade associations of building owners, health facilities, hotels, restaurants, and service companies from Washington Gas Energy Services and Constellation New Energy. The Eastern Shore of Maryland Educational Consortium Energy Trust aggregates for nine school boards on the eastern shore; the Caroline, Dorchester, and Cecil county governments; and two community colleges. The report also discusses an aggregation consortium in Montgomery County that includes the county government, school board, and several municipalities.

The report also notes that Ohio has experienced 20% of residential customers switching to alternate energy providers. More than 90% of those switching, or 18% of the total residential electricity market, switched providers through a municipal aggregator. The report notes that most of these customers are concentrated in areas that have higher electricity usage rates compared to Maryland, and that the overall state of competition in Ohio has weakened.

A survey of Maryland residents conducted for OPC by the Maryland Institute for Policy Analysis and Research indicated that 36% of Maryland residential electric consumers believed that municipal aggregation should be permitted, 48% did not agree, and 16% either did not know or had no opinion. In eastern and Western Maryland, survey respondents were close to the statewide average. More respondents were in favor of municipal aggregation (51%) in the Washington metropolitan area; while a majority of those surveyed in the Baltimore region (53%) were opposed to municipal aggregation.

Additional Information

Prior Introductions: In 2003, SB 37, a similar bill, passed the Senate, passed the House with amendments, but was not referred to conference committee. Also in 2003, HB 24, a similar bill, passed the House and was referred to the Senate Finance Committee. Similar bills were also introduced in the 2001 and 2002 sessions.

Cross File: HB 23 (Delegate Hubbard) – Economic Matters.

Information Source(s): Montgomery County, Prince George's County, Caroline County, Calvert County, Howard County, Public Service Commission, Office of People's Counsel, Baltimore City, Department of Legislative Services

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