

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 744
Economic Matters

(Delegate Stern, *et al.*)

Electric Companies - Standard Offer Service - Residential Customers

This bill requires electric companies to provide standard offer service (SOS) to residential electric customers after the expiration of rate caps and any settlement agreements currently in place.

Fiscal Summary

State Effect: None. This bill would not materially affect State government operations.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Electric companies are required to provide SOS until the later of: (1) the date when all customers of an electric company are eligible for customer choice; (2) the date when the amount of transition costs or benefits arising from the generation that is deregulated has been finally determined by the Public Service Commission (PSC); or (3) if PSC extends the obligation to provide SOS, the date on which PSC terminates that obligation.

Background: SOS guarantees service to residential customers in a deregulated market. It provides residential customers with electric service from a specified source even when alternate providers become available. How electric companies are required to provide SOS service, though not the rates for that service, will continue to be regulated by PSC.

Electric deregulation was enacted 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 (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.

PSC advises that the provisions of this bill would require it to continue some form of hearings or settlement revisions on a periodic basis for each service area in Maryland. PSC cannot predict whether that oversight will take the form of another bidding process similar to the bidding for PEPCO/Conectiv currently underway. PSC advises that it may change contract lengths, or alter the entire structure by requiring electric companies to procure a portfolio of energy products manage those products with PSC oversight 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. OPC also notes that even with annual rates in SOS contracts with electric supplies, residential customers could face price volatility from year to year.

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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mh/hlb

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