HB 1286

Department of Legislative Services

Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 1286 (Delegates Vaughn and Burns)
Economic Matters

Public Service Commission - Office of Retail Market Development

This bill establishes an Office of Retail Market Development within the Public Service Commission (PSC) for the purpose of promoting retail electric competition in Maryland.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: Special fund expenditures could increase by $187,900 in FY 2008 and $237,700 by FY 2012. Future year expenditures reflect annualization, salary increases, and inflation. Special fund expenditures for PSC are reimbursed by assessments on public service companies.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	$187,900	$204,700	$215,100	$226,100	$237,700
SF Expenditure	187,900	204,700	215,100	226,100	237,700
Net Effect	$0	$0	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The Office of Retail Market Development (ORMD) must monitor existing competitive conditions in the State, identify barriers to retail competition, and actively explore and propose to PSC and the General Assembly solutions to overcome identified barriers. The office must develop a thorough understanding and critical analysis of the tools and technologies used to promote retail competition for all customer classes. By June 30 of each year, the director must submit a report to the Governor and the General Assembly detailing specific accomplishments achieved by the office during the previous year. The report should propose administrative and legislative action necessary to promote further improvements in retail electric competition.

Uncodified language directs ORMD, by October 1, 2008, to conduct research and submit to PSC, the Governor, and the General Assembly a detailed plan designed to promote retail electric competition for residential and small commercial customers, in the swiftest manner possible, while still maintaining safe, reliable, and affordable electricity service. By January 1, 2009, PSC must initiate any action called for in the plan and should complete any action taken in accordance with the plan prior to December 1, 2009.

Current Law: Chapter 5 of the 2006 Special Session required PSC to conduct investigatory and evidentiary proceedings, including the use of any necessary outside experts and consultants, to reevaluate the general regulatory structure, agreements, orders, and other prior actions of PSC under the Electric Customer Choice and Competition Act of 1999. PSC must report its findings by June 30, 2007.

Chapter 5 also required PSC to conduct an evidentiary proceeding to study and evaluate the status of electric restructuring in the State as it pertains to the availability of competitive generation for residential and small commercial customers and report its findings by December 31, 2006. A comprehensive report with policy recommendations has not been completed.

By December 31, 2008, and every five years thereafter, PSC must report on the status of Standard Offer Service (SOS), the development of competition, and the transition of SOS to a default service. The definition of default service must be established by PSC either by order or regulation.

Background: All investor-owned utility customers are eligible to switch from SOS to competitive retail electric suppliers. Market based rates went into effect for PEPCO and Delmarva Power customers July 1, 2004 and for Baltimore Gas & Electric customers July 1, 2006. Allegheny customers will pay market-based rates starting January 1, 2009. **Exhibit 1** shows the percentage of customers served by competitive electric suppliers as of January 2007. **Exhibit 2** shows the number of active and licensed suppliers in Maryland for fiscal 2006.

Exhibit 1

Percentage of Customers Served by Competitive Electric Suppliers

Distribution Utility	**Residential**	**Small Commercial & Industrial**	**Mid Commercial & Industrial**	**Large Commercial & Industrial**	**All Commercial & Industrial**	**Total**
Allegheny Power	0.00%	14.40%	55.30%	77.60%	16.60%	**2.00%**
Baltimore Gas and Electric	1.90%	25.60%	58.10%	91.50%	28.70%	**4.50%**
Delmarva Power & Light	0.30%	11.20%	57.20%	89.00%	12.60%	**2.30%**
Potomac Electric Power	5.40%	28.10%	47.00%	87.70%	34.80%	**8.10%**

Electric Choice Enrollment Monthly Report - January 2007
Source: Public Service Commission

Exhibit 2
Electricity Suppliers Active and Licensed in Maryland by Service Territory
Fiscal 2006

Serivce Territory	**Residential**		**Commercial**		**Industrial**		**Other**	
Active/*Total Licensed*								
Allegheny	**0**	*19*	**17**	*48*	**17**	*43*	**9**	*13*
BGE	**6**	*22*	**27**	*57*	**26**	*50*	**9**	*14*
Delmarva	**1**	*20*	**22**	*54*	**22**	*48*	**9**	*14*
Pepco	**3**	*21*	**24**	*54*	**23**	*48*	**9**	*14*
SMECO	**0**	*4*	**0**	*8*	**0**	*8*	**0**	*3*
Choptank	**0**	*2*	**0**	*4*	**0**	*4*	**0**	*1*

Note: The first figure for each customer class, in **bold**, is the number of active suppliers in that cusomter class in the service territory; the second figure, in *italics* , is the number of electricity suppliers licensed to serve the customer class in the service territory. The latter figure includes anyone licensed as any kind of "electricity suplier" (a supplier, aggregator, broker, or biller). It also includes any electricity supplier with a currently valid license, whether or not the suplier is now or has ever served customers in the state

Souce: Public Service Commission

State Fiscal Effect: Public Utility Regulation Fund expenditures could increase by $187,900 in fiscal 2008, accounting for the June 1, 2007 effective date and assuming a 90-day start-up delay, for a director, a regulatory economist, and an administrative position. The estimate includes salaries, fringe benefits, one-time start-up costs, and other ongoing operating expenses.

Salaries and Fringe Benefits	$158,637
Related Operating Expenses	29,260
Total FY 2008 State Expenditures	**$187,897**
Positions	3

Future year expenditures reflect: (1) full salaries with a 4.5% annual increase and 3% turnover; (2) 1% annual increases in ongoing operating expenses; and (3) a stable caseload.

PSC advises that a total of five additional employees would be required to fulfill the requirements of the bill. However, the Department of Legislative Services advises that some of the responsibilities assigned to ORMD could utilize existing expertise and resources of PSC.

Additional Information

Prior Introductions: None.

Cross File: SB 539 (Senator Klausmeier, *et al.*) – Finance.

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

Fiscal Note History: First Reader - March 5, 2007
mll/hlb

Analysis by: Erik P. Timme

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