

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1548

(Chair, Economic Matters Committee) (By Request –
Departmental – Public Service Commission)

Economic Matters

Public Service Commission - Standard Offer Service Auctions - Disclosure of Bid Information

This departmental bill authorizes the Public Service Commission to publicly disclose

- the names of all standard offer service auction bidders;
- the bid price for all offers by the bidders; and
- the price for all blocks of electricity supply.

Any such public disclosure may occur after all contracts for supply are executed and if PSC determines that the disclosure will not create market manipulation, other noncompetitive behavior, nor adversely impact the competitive supply market.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: None. PSC could handle the bill's requirements with existing budgeted resources.

Local Effect: None.

Small Business Effect: The Public Service Commission has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: The investor-owned electric companies are required to participate in a competitive bid process to obtain residential and small commercial customer standard offer service (SOS). PSC may require or allow electric companies to procure electricity directly from an electricity supplier through one or more competitive, bilateral contracts. The SOS process, overseen by PSC, is designed to obtain the best price for customers in light of market conditions at the time of procurement and the need to protect these customers from excessive price increases.

As PSC directs, the electric companies undertake a series of competitive wholesale bids to supply SOS as part of a portfolio of blended wholesale supply contracts of short, medium, or long terms, and other electricity products and strategies. Different bidding structures are allowed from base load, peak load, and very short-term procurement. Dates may be staggered and can be altered by PSC, based on market conditions. Electric companies can refuse to accept some or all bids.

The investor-owned electric company must publicly disclose the names of all bidders and the names and load allocations of all successful bidders 90 days after all contracts for residential and small commercial standard offer service supply are executed.

In order to meet long-term anticipated demand in the State for SOS and other electricity supply, PSC may require or allow an investor-owned electric company to construct, acquire, or lease, and operate, its own generating facilities, and transmission facilities necessary to interconnect the generating facilities with the electric grid, subject to appropriate cost recovery.

Background: The Maryland Electric Customer Choice and Competition Act of 1999 accommodated retail customers that did not shop or could not shop for electric power supplies, while the competitive retail market developed and electric suppliers entered the retail markets to supply electricity products. During a multiyear transition period, the traditional electric utilities made available SOS at rates frozen and below the rates in effect prior to electric restructuring. For Maryland's various customer classes, these fixed rates have largely expired; however, SOS has been extended and now reflects market prices for power. Coinciding with the removal of fixed SOS rates, was a realization of high and volatile wholesale market prices throughout the region, including the Baltimore/Washington metropolitan area. Higher wholesale market prices reflect higher fuel prices to generate power, barriers to import lower-cost power supplies, and increased costs of environmental compliance.

Local electric companies (*i.e.*, investor-owned utilities) who own the “wires” portion of the electric system obtain electricity supply through a competitive process for residential and small commercial customers that participate in SOS. Electric companies are required to procure electricity for residential and small commercial customers through one or more bilateral contracts. The investor-owned electric companies submit bids to supply anticipated SOS load for residential and small commercial customers, as part of a portfolio of blended wholesale supply contracts. Current SOS contracts for residential and small commercial customers are all two years in length. SOS contracts for medium-size commercial customers are three months in length. The blended portfolio mitigates the potential for sudden retail price changes due to volatile whole market conditions. Additionally, in order to prevent an excessive amount of load from being exposed to upward market price risks and volatility, PSC may stagger the dates of the wholesale auctions.

State Fiscal Effect: This bill would allow PSC to disclose publicly, after all contracts for SOS electricity supply are executed, the names of all bidders in the SOS auction, the bid price for all offers, and the price for all blocks of electricity supply. The information may only be disclosed if PSC determines that the disclosure would not create market manipulation or other noncompetitive behavior and would not adversely impact the competitive supply market. Legislative Services notes that the bill provides PSC with a tool to further ensure that the electricity market will serve the needs of Maryland consumers and increase the transparency of the SOS procurement process.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Natural Resources, Maryland Energy Administration, Public Service Commission, Office of People’s Counsel, Department of Legislative Services

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mll/hlb

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