

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1080
Economic Matters

(Delegate Carr, *et al.*)

Electricity Suppliers - Residential Supply Contracts - Consumer Protections

This bill prohibits a “residential supply contract” for electricity from containing an automatic renewal clause unless the customer was given the opportunity to reject the automatic renewal provision before entering into the contract and the customer is allowed to cancel the renewal of the contract at any time up to 30 days before the day when the automatic renewal is scheduled to take effect. If a residential supply contract requires the customer to pay an early termination fee or penalty on cancellation of the contract, the termination fee or penalty must decrease by an equal amount each month so that the customer owes no termination fee at the end of the contract. The bill also prohibits an electricity supplier from refusing to provide service to a person because the person previously canceled a residential supply contract. A “residential supply contract” is defined as an agreement between an electricity supplier and a residential customer to provide electricity or electricity supply services.

Fiscal Summary

State Effect: None. The Public Service Commission (PSC) can implement the bill with existing budgeted resources. The application of existing penalty provisions to the bill is not anticipated to significantly affect State finances.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: PSC may adopt regulations that prescribe standards to protect consumers, electric companies, and electricity suppliers from anticompetitive and abusive practices. Electricity suppliers must provide adequate and accurate customer information to enable customers to make informed choices regarding the purchase of any electricity services offered by the electricity supplier.

The Code of Maryland Regulations (COMAR 20.53.07) establish consumer protections for customers that choose a competitive electricity supplier and define minimum contract requirements. Residential supply contracts must include a statement of the duration of the contract, including the initial time period, and any automatic renewal clause. Suppliers must provide notice to the customer at least 45 days before the automatic renewal is scheduled to occur. Electricity suppliers may charge a reasonable early termination fee, which must be disclosed in the contract.

Electricity suppliers who violate specified provisions of law relating to the sale of electricity are subject to a civil penalty of up to \$10,000 per violation or license revocation. Each day is a separate violation.

Background: The Electric Customer Choice and Competition Act of 1999 (Chapters 3 and 4) facilitated the restructuring of the electric utility industry in Maryland. The resulting system of customer choice allows the customer to purchase electricity from a competitive supplier or continue receiving electricity under standard offer service (SOS).

Most alternative plans to SOS require a fixed-length contract of at least 12 months and have cancellation fees that range between \$150 and \$200; however, some suppliers are now offering month-to-month supply options. The majority of these alternative plans also include a portion of renewable energy, which may add additional cost. **Exhibit 1** illustrates the number of residential customers that are currently served by competitive electricity suppliers in each service territory.

Exhibit 1
Residential Customers Served by Competitive Suppliers
December 2010

<u>Distribution Utility</u>	<u>Customers Served by Competitive Suppliers</u>	<u>Total Accounts</u>	<u>Percent of Total</u>
Allegheny Power	11,763	220,369	5.3%
BGE	179,801	1,114,743	16.1%
Delmarva	12,759	173,752	7.3%
PEPCO	64,335	487,076	13.2%
Total	268,658	1,995,940	13.5%

Source: Public Service Commission

Small Business Effect: PSC has licensed 53 companies to provide competitive electric supply to residential customers. Requiring the early termination fee to gradually be reduced throughout the life of the contract is likely to affect these companies. The bill impacts small businesses to the extent any of these suppliers are considered small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mc/lgc

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