

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 596
Economic Matters

(Delegate Davis)

Finance

Electric Companies and Gas Companies - Customer Account Information

This bill requires each distribution utility other than a cooperative, on request, to provide competitive suppliers with specified customer account information for its residential and small commercial customers under specified conditions. Each distribution utility must provide notice to its customers and grant each customer the opportunity to “opt-out” of having their customer information shared with competitive suppliers. The competitive supplier may only use the information for marketing its electric or gas services and may not resell or otherwise disclose the information. The Public Service Commission (PSC) must allow each distribution utility to recover its prudently incurred costs to provide the information, as determined by PSC, directly from the requesting competitive supplier.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: None. PSC can implement the bill with existing budgeted resources.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Each distribution utility must provide the account name, the billing and service address, rate class, type of service, load profile, and energy consumption to a competitive supplier that requests the information. A “distribution utility” is defined as an electric company, gas company, or electric and gas company. A “competitive supplier” is defined as an electricity supplier or gas supplier. Customer information must be transmitted in electronic form and must be updated at least four times each year.

Each distribution utility must notify new and existing customers of the intent to share customer information and allow each customer the opportunity to opt-out of having that information shared with competitive suppliers. New customers must receive written notice at the time of enrollment, and existing customers must receive written notice through a bill insert. The bill establishes other provisions related to the authorization to share information. At any time, a customer may withdraw its authorization and an electricity supplier must redact that customer's information from its records and refrain from contacting that customer directly by mail or telephone. A competitive supplier may only use customer information obtained from distribution utilities to market electricity or gas supply services; the bill specifically prohibits competitive suppliers from selling or providing the information to any other person.

PSC must allow the distribution utility to recover directly from the competitive supplier the prudently incurred costs of providing the information. PSC determines whether the costs are prudently incurred.

Current Law: Under current regulations, electricity suppliers may not share customer account or billing information without authorization from the customer, except for the sole purpose of facilitating billing, bill collection, and credit reporting. Rulemaking 17, initiated in 2005, sought to address customer protections and initially included proposed regulations for the sharing of customer information between electric companies and electricity suppliers. The sharing of customer information was not included in the final adopted regulations, however.

The Electric Customer Choice and Competition Act of 1999 (Chapters 3 and 4) facilitated the restructuring of the electric utility industry in Maryland. The Act required electric companies to divest themselves of generating facilities or to create a structural separation between the unregulated generation of electricity and the regulated distribution and transmission of electricity. Some electric companies created separate entities to operate unregulated and regulated businesses under a single holding company structure and other companies divested generation facilities. 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). Default SOS electric service is provided by a customer's *electric company*. Competitive electric supply is provided by competitive *electricity suppliers*.

A competitive market for supply of natural gas has been available to large industrial customers since the 1980s. Maryland was one of the first states to consider deregulating natural gas markets for residential and small commercial customers. In 1996 the competitive market was expanded to these classes of customers as a pilot program. Chapter 669 of 2000 granted PSC the same licensing authority of gas suppliers as over

electricity suppliers. Default SOS natural gas service is provided by a customer's *gas company*. Competitive natural gas supply is provided by competitive *gas suppliers*.

Background:

Electric Customer Choice

During the initial transition period from July 1, 2000, through June 30, 2004, rate caps were imposed for residential customers in the PEPCO and Delmarva service territories. Rate caps in the BGE and Allegheny Power service territories expired June 30, 2006, and December 31, 2008, respectively. In both the BGE and Allegheny Power service territories, PSC allowed many customers to mitigate the increases through a rate stabilization plan.

The rate caps, which aimed to give the electric industry time to switch to a competitive market, resulted in electricity suppliers being unable to compete with the below-market SOS rates in effect under the residential rate caps. Prior to the expiration of rate caps, the potential savings for residential customers offered by customer choice were limited as few competitive suppliers had offered rates lower than SOS. Since the expiration of rate caps, competitive electricity suppliers are offering retail electric at rates lower than SOS in the State's largest service territories. **Exhibit 1** shows the number of competitive electricity suppliers in each service territory, the current price to compare, and the number of offers. Most competitive suppliers offer customers different options on the length of contract, and the generation source (such as 50% wind or 100% wind).

Exhibit 1
Residential Electric Choice
February 2011 Survey

<u>Service Area</u>	<u>SOS Price (per kWh) to Compare</u>	<u>Competitive Suppliers</u>	<u>Number of Offers</u>
BGE	\$0.1003	12	25
Delmarva	0.0952	4	9
PEPCO	0.1035	6	14
Allegheny Power	0.0747	3	8
SMECO	0.0946	0	0
Choptank	0.0891	0	0

Source: Office of the People's Counsel

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 2** illustrates the number of residential customers that are currently served by competitive electricity suppliers in each service territory.

Exhibit 2
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

Since the removal of rate caps for residential customers, the number of residential customers receiving competitive service has increased; however, the majority of residential customers still procure electricity from SOS. Since 2006, the number of residential customers receiving competitive service has increased from 55,024 to 268,658, and the number of nonresidential customers has increased from 57,103 to 87,071. As shown in **Exhibit 3**, the percentage of customers receiving competitive service has increased significantly since December 2006.

Exhibit 3
Percentage of All Customers Served by Electricity Suppliers

<u>Customer Class</u>	<u>December 2006</u>	<u>December 2007</u>	<u>December 2008</u>	<u>December 2009</u>	<u>December 2010</u>
Residential	2.3%	2.8%	2.8%	5.0%	13.5%
Small Commercial & Industrial	21.1%	22.5%	17.3%	23.2%	27.9%
Mid Commercial & Industrial	51.2%	52.8%	47.0%	50.9%	54.4%
Large Commercial & Industrial	87.9%	89.0%	87.0%	88.6%	88.2%
Total	4.7%	5.3%	5.1%	7.6%	15.7%

Source: Public Service Commission

Exhibit 4 shows the recent increase in the number of residential electric customers receiving competitive electric service in the major distribution territories.

Exhibit 4
Residential Electric Customers
Receiving Competitive Electric Supply

<u>Distribution Utility</u>	<u>December 2008</u>	<u>December 2009</u>	<u>December 2010</u>
Allegheny Power	40	2,743	11,763
BGE	26,944	53,126	179,801
Delmarva	1,039	2,463	12,759
PEPCO	27,001	40,267	64,335
Total	55,024	98,599	268,658

Source: Public Service Commission

Competitive Supply of Natural Gas

Competitive supply of natural gas initially saw greater implementation for residential customers than competitive electric supply; however, recent increases in competitive electric supply have resulted in similar levels of participation in customer choice. **Exhibit 5** shows each natural gas customer class and the percentage of customers that are currently receiving natural gas from a competitive supplier. Between December 2009 and 2010, the number of residential customers receiving natural gas from a competitive supplier increased from 125,366 to 167,947.

Exhibit 5
Percentage of Eligible Customers Served by Competitive Natural Gas Supply
December 2010

<u>Distribution Utility</u>	<u>Residential</u>	<u>Firm Service Commercial and Industrial</u>	<u>Daily-metered and Interruptible</u>	<u>Total</u>
BGE	12.0%	24.1%	87.7%	12.9%
Chesapeake Utilities	NA	86.2%	0.0%	86.2%
Columbia Gas, Maryland	2.3%	5.0%	48.2%	2.9%
Elkton Gas	NA	0.0%	0.0%	0.0%
Washington Gas	17.1%	41.4%	100.0%	18.8%
Total	13.7%	29.8%	83.0%	14.9%

Source: Public Service Commission

Small Business Effect: Small businesses that are not currently aware of competitive electricity or natural gas supply options could benefit from an increased awareness of lower priced electric and natural gas supply as a result of the bill. Small businesses that provide competitive electricity or natural gas supply also stand to benefit from the bill; sharing customer information will allow competitive suppliers to direct marketing efforts more efficiently.

Additional Information

Prior Introductions: HB 1340 of 2010 passed in the House and received a hearing in the Senate Finance Committee. No further action was taken.

Cross File: None.

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Analysis by: Erik P. Timme

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

