

Department of Legislative Services  
Maryland General Assembly  
2019 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 730

(Delegate Charkoudian, *et al.*)

Economic Matters

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Electric Industry - Community Choice Aggregation

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This bill authorizes a county, a municipality, or a group of counties and/or municipalities to form or join a “community choice aggregator,” as defined, under specified conditions.

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Fiscal Summary

**State Effect:** The Public Service Commission (PSC) can handle the bill’s requirements with existing budgeted resources. The bill does not otherwise materially affect State finances or operations.

**Local Effect:** Local government revenues and expenditures increase beginning in FY 2020 to the extent one or more local governments choose to create or join a community choice aggregator.

**Small Business Effect:** Minimal, as discussed below.

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Analysis

**Bill Summary:** “Community choice aggregator” means a county, a municipality, or a group of counties, municipalities, or both, that serve as an electric aggregator for the purpose of negotiating the purchase of electric generation services from an electricity supplier or providing electricity from an electric generating facility owned by the aggregator for all electric customers:

- located, for a municipality, in the municipality or, for a county, in any area in the county outside a municipality;

- that have not (1) selected an electricity supplier other than the standard offer service supplier or (2) refused to participate in the aggregation activities; and
- that are not located in the service territory of a municipal electric utility.

A county or municipality or group of counties or municipalities may form or join a community choice aggregator under the bill, subject to specified notification, planning, and other requirements. The bill may not be construed to prevent an electric customer in the jurisdiction of the county or municipality from choosing to enter into a contract with an electricity supplier other than the community choice aggregator.

An electric customer is deemed to have given permission to the county or municipality to act on the customer's behalf as a community choice aggregator:

- when the county or municipality receives a returned notice from the customer explicitly granting that permission; or
- in the case of a customer receiving standard offer service, within 30 days after the notice is given if the county or municipality has not received a returned notice by that date.

A community choice aggregator may own an electric generating facility if the facility is designed to provide energy primarily for use by the participants of the community choice aggregator.

#### *Limitation on Fees, Taxes, or Other Charges*

A community choice aggregator may not assess any new fee, tax, or other charge in the aggregation charges or rates that is not related to the cost of providing the aggregation service. Under the bill, "aggregation services" includes the provision of electricity service from a generating station owned by a community choice aggregator. A fee for aggregation may not exceed specified costs.

#### *PSC Standards and Review*

Based on a determination of the mitigation of volumetric risk, PSC must identify at least one two-month period in the calendar year within which a community choice aggregator may award contracts for competitive generation service supply. A community choice aggregator may award contracts for competitive generation service supply only within that period.

PSC must review applicable fees, request formats, and the format of data provided to facilitate the intent of the bill. PSC must establish procedures for an electric customer who

is receiving electric generation services from an electricity supplier selected by a community choice aggregator to receive a bill assistance credit to which the customer may be entitled under current law.

PSC must establish standards and procedures by regulation to protect the consumer rights of residential customers who receive electric generation services from an electricity supplier selected by a community choice aggregator. The regulations must prohibit discrimination against a customer or on the basis of the location of the customer.

**Current Law:** A county or municipality may only act as an aggregator if PSC determines that there is not sufficient competition within the boundaries of the local jurisdiction. “Aggregator” means an entity or an individual that acts on behalf of a customer to purchase electricity or gas. It does not include (1) an entity or individual that purchases electricity or gas for its own use or for the use of its subsidiaries or affiliates; (2) a municipal electric utility or a municipal gas utility serving only in its distribution territory; or (3) a combination of governmental units that purchases electricity or gas for use by the governmental unit.

**Background:** The Electric Customer Choice and Competition Act of 1999 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 to continue receiving electricity under standard offer service (SOS). Default SOS electric service is provided by a customer’s *electric company* (e.g., Baltimore Gas and Electric Company or Pepco). Competitive electric supply is provided by competitive *electricity suppliers*. In either case, the electric company delivers the electricity and recovers the costs for delivery through distribution rates.

**Local Fiscal Effect:** The bill allows counties and municipalities to form or join a community choice aggregator, which under the bill is allowed to own generation assets and/or enter into contracts with electricity suppliers on behalf of persons within their jurisdictions. Therefore, local government revenues and expenditures increase beginning in fiscal 2020 to the extent one or more local governments choose to create or join a community choice aggregator.

**Small Business Effect:** Small electricity suppliers must comply with notification requirements to the extent that they have customers located in the jurisdiction of a community choice aggregator. The overall effect on any particular electricity supplier is likely minimal.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 660 (Senator Washington) - Finance.

**Information Source(s):** Public Service Commission; Office of People's Counsel; Anne Arundel, Baltimore, and Garrett counties; City of Laurel; Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2019  
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