



## **SB 686**

# **Retail Energy Supply Association Unfavorable**

February 11, 2020

Good afternoon Madam Chair and members of the Committee. RESA is opposed to SB 686 and respectfully request that the committee render an unfavorable report on this legislation.

The purpose of this legislation requires electricity and natural gas suppliers to submit to the Public Service Commission monthly reports containing detailed billing information on the supply of electricity and natural gas to certain residential customers. The monthly reports requires historical billing information, consumption volume and customer count data by low-income and non-low income customers.

RESA is concerned that the information gathered by this legislation would not provide a useful comparison between shopping and non-shopping customers and could be used to draw misleading comparisons and conclusions. RESA is also concerned about the confidentiality of the requested data. Rather than directing the suppliers to provide the reports requested by this legislation, RESA recommends that the Commission and suppliers focus resources on efforts to enhance competition and customer education, enabling and empowering all customers to choose the best retail energy supply options to suit their needs.

The data collected by these reports will no doubt be used to determine what customers paid for retail energy supply against amount those customers would have paid for the utility's default Standard Offer Service ("SOS"). However, competitive supply products and utility default SOS products are fundamentally different products and cannot be directly compared. Absent a full unbundling, SOS prices reflect wholesale supply costs

plus administratively-determined adders. SOS prices do not include all the services and related costs that a competitive retail supplier's price includes. This false comparison should be avoided. Moreover, price alone does not provide a full picture of the value of a supplier's offering.

This false comparison should be avoided. Moreover, price alone does not provide a full picture of the value of a supplier's offering. In today's market, more and more value-added products and services are included in supplier offerings. A customer may select a long-term fixed price energy supply product to lock in their price, allowing them to budget their energy costs more effectively. At a single point in time, this fixed rate may be higher than the SOS rate, but this basic analysis does not recognize that this product



can protect consumers from increases in rates charged by the utilities over the long term.

Paying a premium for price certainty is not limited to the electric and natural gas markets. Comparing supplier fixed prices with periodically fluctuating utility SOS prices is like concluding that a customer with a 30-year fixed rate 4% mortgage is overpaying if variable mortgage rates subsequently dip below 4%. Many mortgage customers choose a 30-year fixed rate mortgage even though the interest rate is typically higher than a variable rate product. There is a value associated with the customer selecting a fixed price product over a product with a rate that changes periodically, and that value would not be quantified or reflected in the requested data.

Another customer may select a product that includes a smart thermostat or another energy efficiency product that allows them more control over their energy usage, enabling them to reduce their overall energy consumption. This customer may pay a higher volumetric rate for their energy, but by reducing their usage through energy efficiency means they can lower their overall energy bills.

Yet another customer may choose a retail energy supply product that awards them cash back, rebates, grocery discounts or coupons, or other loyalty benefits that allow the customer to obtain discounted goods or services. These types of benefits have economic value to the customer as well but are not reflected in a cursory price comparison between supplier prices and SOS rates. Most importantly, these offers allow customers to make the choices that best suit their lifestyles and needs.

A robust competitive market that is accessible by all Maryland customers will continue to innovate and develop more offerings like these to help customers more effectively manage their energy usage and energy costs. Measuring the success of the retail market only by looking at price fails to adequately capture the true value of choice, convenience, and innovation. Educating customers on retail choice and the options

available from the competitive market will empower customers to find and choose the best energy supply options to meet their needs.

RESA recommends that the Commission spend the time that would be allocated to collecting this data on advancing customer education and enhancing the competitive market to enable customers to shop and select the best energy supply products available to meet their individual needs. would if they purchased their energy from a competitive supplier. While the competitive market offers much more than lower prices, as discussed above, the competitive market is also where the lowest possible retail energy supply prices can be found. A report commissioned by RESA, and developed by



Intelometry <sup>1</sup> reveals that Maryland electricity consumers could have saved in excess of \$13.5 million in the month of January 2020 compared to the four Maryland utilities SOS prices if consumers chose those suppliers that had lower prices than the SOS rates. There were 54 electricity supply offerings below the SOS rate in January, 31 of which are fixed price offerings of between 6 and 36 months.

Thus, for customers who want to shop based solely on lowest price, there are benefits in the market right now; yet, these customers generally appear unaware of them. A concerted and organized customer education effort would go a long way to informing customers about their right to choose their energy supplier and the products and services available to them in the marketplace today.

Lastly, RESA is concerned about the manner in which competitively sensitive pricing information may be collected and disseminated as a part of this legislative initiative. Supplier pricing information is competitively sensitive and must be kept confidential. Confidentiality issues are best avoided by declining to direct suppliers to provide the data reports. In a competitive environment, the data as outlined in this legislation is so competitively sensitive, it would provide enough information for the competitors to figure out the pricing mechanisms of each other.

For the reasons discussed above, RESA respectfully request that the committee render an unfavorable report on this legislation.

Thank you for your attention and allowing RESA to provide these comments.

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<sup>1</sup> A Houston, TX based company specializing in technology, data and consulting services organization that specializes in retail electricity and natural gas market operations.

## MARYLAND CONTRACT SUMMARY

Electric supply service in

BGE

**ELECTRIC GENERATION OR GAS SUPPLIER INFORMATION** Direct Energy Services, LLC  
Electric License Number: IR-719  
Natural Gas License Number: IR-791  
PO Box 180, Tulsa, OK 74101-0180  
csdirectenergy@directenergy.com ~www.directenergy.com ~ 1-888-200-7930

**PRICE STRUCTURE** Fixed, electric

\$0.06690 per KWH

### SUPPLY PRICE

### STATEMENT REGARDING SAVINGS

The supply price may not always provide savings.

Please refer to the Account Breakdown page (if any) for a listing of any applicable incentives you elected to receive.

### INCENTIVES

### CONTRACT START DATE

After you enter into this Agreement, the Initial Term of your service will begin on the meter date that your electric generation or natural gas supplier is changed to Direct Energy by the Utility Company.

### CONTRACT TERM / LENGTH

10 monthly billing cycles.

### CANCELLATION / EARLY TERMINATION FEES (per account)

NONE.

### RESCISSION

You have three (3) business days after you receive a written copy of this Agreement to cancel your enrollment with Direct Energy by calling Direct Energy using the contact information set forth in the Supplier Information section above. After the end of the Rescission Period, you can cancel service by using the contact information set forth in the Supplier Information Section above, however, you will be charged the Cancellation / Early Termination Fees and/or Device Cost Recovery Fee set forth above.

### RENEWAL TERMS

A notice will be sent to you thirty (30) days before the expiration of your Initial Term informing you of your impending automatic renewal. See your Terms and Conditions for more information.

**For additional information, please refer to your Terms and Conditions. Please retain this document for your records. If you have any questions regarding this agreement, contact your competitive supplier using the information above.**

## CONSTELLATION\* CONTRACT SUMMARY

<b>Electricity Supplier Information</b>	*Constellation NewEnergy, Inc., License Number: IR-500., We can be reached by mail at Constellation c/o Customer Care, P.O. Box 4911, Houston, TX 77210 or at our toll-free number: 1-855-465-1244.
<b>Price Structure</b>	Fixed supply charges <b>except for taxes and utility charges</b>
<b>Supply Price</b>	7.79 cents per kilowatt-hour for a 12 month term
<b>Statement Regarding Savings</b>	The contract price may not always provide a savings.
<b>Incentives</b>	NA NA
<b>Contract Start Date</b>	The Contract term will start after the Utility processes your enrollment.
<b>Contract Term/Length</b>	The initial Contract term will be (12) months from the Contract start date.
<b>90 Day Guarantee</b>	You may terminate this Agreement without incurring an early termination fee within 90 days after entering into it (the "Guarantee Period") by notifying Constellation that you would like to return to Utility service. Upon your termination of this Agreement during the Guarantee Period, your Accounts will be returned to Utility service in accordance with the applicable rules and will remain responsible for payment for electricity supply and related costs and charges incurred under this Agreement. Any incentives Constellation may offer to you in connection with you entering into this Agreement require your Account to be active and in good standing at the time the incentive is fulfilled.
<b>Cancellation/Early Termination Fees</b>	<b>You WILL incur an early termination fee of \$150, if you terminate this Contract early for any reason other than those outlined below.</b> You will not incur an early termination fee if: (1) you terminate this Contract within the Guarantee Period, or (2) you terminate this Contract because you changed your residence and are no longer eligible for service under your Utility's residential electric rate classes.
<b>Rescission</b>	If you are a customer who entered into this contract through a door-to-door sales representative at your residence, the Maryland Door-to-Door Sales Act provides you the right to rescind the contract before midnight of the third business day after both parties signed the contract and you received the notice of cancellation.
<b>Constellation Renewable Product</b>	The electricity supply service includes renewable energy certificates sourced from wind power generators within the United States in an amount equal to 100% of the Accounts' usage, in addition to the mandatory renewable portfolio standard requirements for the state in which the Accounts are located, during the term of this Agreement. The renewable energy is provided to you for your residential use only, and will not make you eligible for any tax credits or other third party subsidies. Constellation complies with Maryland's Renewable Portfolio Standard ("RPS") applicable to all retail electricity suppliers. Constellation may retire Tier 1 or Tier 2 renewable energy credits to meet its RPS obligations. The RPS for 2019 is 20.7% from Tier 1 sources, including at least 5.5% from solar energy and up to 2.5% from PSC-directed offshore wind energy, and 2.5% from Tier 2 sources. The RPS for 2020 is 28% from Tier 1 sources, including at least 6% from solar energy and up to 2.5% from PSC-directed offshore wind energy, and 2.5% from Tier 2 sources. The RPS for 2021 is 30.8% from Tier 1 sources, including at least 7.5% from solar energy and a PSC-directed amount of offshore wind energy. Alternatively, Constellation may meet its RPS obligation by paying a compliance fee to the Maryland Renewable Energy Fund. The compliance fees for each kWh shortfall are: 3 cents for Tier 1 non-solar (2019 through 2023); 10 cents for Tier 1 solar (2019-2020); 8 cents for Tier 1 solar (2021); and 1.5 cents for Tier 2.
<b>Renewal Terms</b>	You will receive one renewal notice at least 45 days prior to the end of the initial term and each subsequent renewal term. This renewal notice will explain your renewal offer for a fixed price and term, and how to cancel if you do not choose to remain with Constellation. If you do not reply, we will continue to serve you at the renewal fixed price for the renewal term.

For additional information, please refer to the Terms and Conditions on the following page. Please retain this document for your records. If you have any questions regarding this agreement, contact us using the information above.

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**PRICE STRUCTURE** Fixed, electric

\$0.07690 per KWH

### SUPPLY PRICE

### STATEMENT REGARDING SAVINGS

The supply price may not always provide savings.

You are purchasing a Renewable Energy Product that is supported 100% by renewable energy credits.  
See your Terms & Conditions for additional details.

### INCENTIVES

### CONTRACT START DATE

After you enter into this Agreement, the Initial Term of your service will begin on the meter date that your electric generation or natural gas supplier is changed to Direct Energy by the Utility Company.

### CONTRACT TERM / LENGTH

24 monthly billing cycles.

### CANCELLATION / EARLY TERMINATION FEES (per account)

NONE.

### RESCISSION

You have three (3) business days after you receive a written copy of this Agreement to cancel your enrollment with Direct Energy by calling Direct Energy using the contact information set forth in the Supplier Information section above. After the end of the Rescission Period, you can cancel service by using the contact information set forth in the Supplier Information Section above, however, you will be charged the Cancellation / Early Termination Fees and/or Device Cost Recovery Fee set forth above.

### RENEWAL TERMS

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**PRICE STRUCTURE** Fixed, electric

\$0.07490 per KWH

### SUPPLY PRICE

### STATEMENT REGARDING SAVINGS

The supply price may not always provide savings.

Please refer to the Account Breakdown page (if any) for a listing of any applicable incentives you elected to receive.

### INCENTIVES

### CONTRACT START DATE

After you enter into this Agreement, the Initial Term of your service will begin on the meter date that your electric generation or natural gas supplier is changed to Direct Energy by the Utility Company.

### CONTRACT TERM / LENGTH

18 monthly billing cycles.

### CANCELLATION / EARLY TERMINATION FEES (per account)

NONE.

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**PRICE STRUCTURE** Fixed, electric

\$0.07790 per KWH

### SUPPLY PRICE

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### CONTRACT TERM / LENGTH

36 monthly billing cycles.

### CANCELLATION / EARLY TERMINATION FEES (per account)

NONE.

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<b>Supply Price</b>	7.39 cents per kilowatt-hour for a 12 month term
<b>Statement Regarding Savings</b>	The contract price may not always provide a savings.
<b>Incentives</b>	NA NA
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