STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

March 2, 2021

Chairman Dereck E. Davis
House Economic Matters Committee
House Office Building, Room 231
Annapolis, MD 21401

RE: HB1327 – UNFAVORABLE – Public Utilities – Transitional and Default Electric Service – Implementation

Dear Chairman Davis and Committee Members:

As we've seen recently in Texas, failures of planning can have very real and significant impacts on customers, particularly those who are least able to weather these difficulties. HB1327 is an incredibly complex bill that would disturb an existing system that is the result of years of study, negotiation and on-going Commission monitoring. When the General Assembly restructured the electricity market in Maryland in 1999, it did so after five years of fact finding, study, and stakeholder input at the Commission. Implementing the legislation involved four years of settlement negotiations among the stakeholders and further Commission review. **HB 1327 would make changes of similar magnitude without any prior fact finding, and with no showing that the proposed changes would benefit Maryland ratepayers.**

HB1327 would fundamentally change Maryland's supply market by eliminating the utility default electricity supply offering, or Standard Offer Service (SOS). In addition, the bill would eliminate the utility's billing function and give retail suppliers control over utility disconnections. Since deregulation, SOS has been the default option for new customers, customers who do not want to shop for an electricity supplier, or customers who prefer a supply offer subject to Commission oversight. The price for SOS changes at set points throughout the year based on contracts procured through a Commission-overseen competitive auction process. Currently, over 80% of Maryland ratepayers are served on the utility default rate. The Commission opposes HB1327 because it carries significant unconsidered and unvetted risks and an almost certain increase in ratepayer costs.

HB1327 would require the discontinuance of both SOS and utility billing functions by the end of 2023. Without SOS, all Maryland customers would be required to shop for electricity.

Any customers who had not selected a supplier would be assigned via an auction process to licensed suppliers for a two year period (transitional electric service). The supplier would renew the customer for a third year of service with a new price but on substantially similar terms. After this three year period there would be no Commission or legislative control over the terms of the supply offers in the Maryland market.

HB1327 would also place the retail supply community in control of the customer's relationship with the utility. This bill would require that suppliers set up a customer's utility service, bill customers for both supply and distribution and would give the suppliers authority to direct disconnection of utility service based on a new standard. Currently, Maryland utilities control their relationship with their customer from setting up an account to disconnecting service and provide nearly all of the utility bills in the state. Utilities pursue disconnections as a last resort, largely because they are allowed to socialize the costs of non-paying customers across all ratepayers. This bill would allow retail suppliers to both bill customers and direct disconnection under a new standard - where the supplier believes it is necessary to protect the supplier from the risk of bad debt.

HB1327 also describes a number of fees and costs associated with this transition. First, suppliers will pay to participate in the transition auction as well as fees for each customer assigned and enrolled. Second, Maryland distribution utilities will be provided a .5% increase in their authorized rates of return for 10 years. Third, suppliers would be required to procure clean energy generation credits in excess of the current RPS requirements. Finally, the suppliers will be required to offer a low income assistance program to help pay for the transitional electric service. The combined impact of these requirements will be <u>several hundred million dollars</u> that will almost certainly be passed on to ratepayers through both supply and distribution rates. This money would flow into various funds for customer education or supporting deployment of distributed energy generation resources.

HB1327 would also have unintended impacts on Maryland's retail electricity market. Maryland's market has undergone significant consolidation in recent years and this legislation is likely to favor larger market actors who have both the capital and infrastructure to participate in large bidding auctions. Conversely, the market consolidation may threaten the competitive nature of the auctions and increase the risk of higher prices. Finally, requiring suppliers to offer billing services creates a barrier to market entry for new or smaller actors that will no longer be able to serve customers under the existing utility consolidated billing. Without further study, it is impossible to predict how this will impact the vibrancy of Maryland's market in terms of number of suppliers, variety of offerings and customer experiences.

As I noted above, this bill is complex. This testimony provides only high level impacts. Nonetheless, the effects of this legislation would be wide-ranging. These would include important issues such as what information is required on customer bills, minimum requirements for low income programs, and the very real concern that customers will receive varying levels of benefits depending on their location across the state. To fully address these issues and develop solutions would require significant additional time for study and consideration.

The Commission strongly opposes HB1327 as it represents a significant change that has not been carefully vetted to assure that it will provide benefits to offset the nearly guaranteed increase in both supply and distribution costs.

Sincerely,

Jason M. Stanek
Chairman