



**Comments of the Retail Energy Supply Association
Senate Finance Committee
Hearing on SB0595 – February 23, 2021
Residential Electricity and Gas Supply Billing
Information – Reports**

Position - Oppose

Thank you, Madam Chair, Mister Vice-Chair and members of the Committee, for the opportunity to provide comments on SB 595 by the Retail Energy Supply Association (RESA). RESA opposes SB 595 and respectfully requests 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 residential customers. The monthly report 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. The proposed legislation requires that electricity or gas suppliers "that bills" customers for supply provide a monthly report. This may not be useful since most suppliers do not perform the billing, the local distribution companies perform this function. Additionally, the information "shall be organized by categories" low-income versus other than low-income. This is problematic since suppliers do not know which customers fall into which category. 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 amounts 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 associated with the procurement of the commodity 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. 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, 4% fixed rate 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 control and 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.

The proposed legislation needs to recognize that most suppliers in Maryland do not directly bill the customer. There is a program in place, often referred to as 'Utility Consolidated Billing' where the supplier passes along to the local distribution company its charges for the month which are then placed on the customers utility generated bill. The utility is then responsible for providing the customer with the bill and performing the credit and collection function to ensure timely payment. Since most suppliers do not send the customer a bill, it is unclear based on this proposed legislation if suppliers are even subject to compliance.

This legislation requires that suppliers report the information organized by categories differentiating low-income versus other than low-income. This is problematic since suppliers do not know which customers fall into which category. Suppliers do not have access to this information and do not know which customers are low-income or not low-income. This information is guarded data held by the local distribution companies and the state agencies that are responsible for providing energy assistance. Compliance with this section of the legislation will be impossible.

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. 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 ¹ reveals that Maryland electricity consumers could have saved in excess of \$40 million in the month of January 2021 compared to the four Maryland utilities SOS prices if consumers chose those suppliers that had lower prices than the SOS rates. There were on the average 39 electricity supply offerings below the SOS rate in January.

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

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



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.