



**Maryland House Economic Matters Committee**  
**HB236 – Public Service Commission – Electricity Supply and Consumer Protections –**  
**Regulations and Orders - OPPOSE**

SFE Energy Maryland, Inc. and StateWise Energy Maryland LLC [hereinafter “SFE Energy”]<sup>1</sup> appreciate the opportunity to offer written testimony on HB236. SFE Energy strongly supports the availability of competitive retail electric product options for all customer classes. HB236 would unjustifiably and unreasonably restrict the ability of retail electric suppliers to make competitive offerings available in the retail marketplace. The Maryland Public Service Commission (MDPSC) already has the authority to modify consumer protection regulations and implement supplier training programs to address the perceived problems this legislation was intended to address. The MDPSC also initiated a Market Reform inquiry in the fall of 2023, which is targeted at retail energy competition issues.<sup>2</sup> The MDPSC should be relied upon to complete that inquiry and direct appropriate changes to the regulations without imposing additional, unwarranted legislative requirements on the industry. For these reasons, *SFE Energy is opposed to HB236 and requests an unfavorable vote by the Committee.*

***Requiring the Maryland Public Service Commission to Establish Door-to-Door Marketing Licensing Procedures Would Be Duplicative of Existing Requirements and Processes***

HB236 would require the MDPSC to establish licensing procedures, fees and reporting requirements for door-to-door marketing by individuals and electricity suppliers. This provision would be duplicative of existing requirements and processes:

- An electricity supplier entity that is licensed by the MDPSC is already subject to the MDPSC’s consumer protection regulations, and an electric supplier is responsible for the actions of its agents, including employees engaged in door-to-door sales activities as well as individual independent contractors engaged in door-to-door solicitation on the supplier’s behalf.
- Potentially thousands of individuals could come within the rubric of the licensing requirement, which would require significant MDPSC resources to implement and maintain. Requiring individual sales agents to become licensed, pay fees and report would also be burdensome (and particularly depending on the amount of the licensing fee, impossible) for these individual sales agents to comply with.
- The bill does not specify if the door-to-door licensing requirement would apply only to sales agents engaged in sales to residential customers. It bears noting here that the brokers that engage in direct sales to commercial customers are already licensed by the MDPSC. Moreover, Maryland state and local laws already require peddlers licenses for foot peddlers.
- The MDPSC already has authority to revise its consumer protection regulations for electricity suppliers with respect to door-to-door sales practices. The MDPSC was also recently granted authority by the legislature to adopt and administer a supplier training program. Such program, when implemented, would directly address the perceived issue with door-to-door sales practices.

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<sup>1</sup> SFE Energy Maryland, Inc. and StateWise Energy Maryland LLC are licensed electric and natural gas suppliers in Maryland.

<sup>2</sup> See, e.g., Comments of SFE Energy Maryland, Inc. and StateWise Energy Maryland LLC to the Maryland Public Service Commission, Maillog 306006.

***Prohibiting Variable Price Residential Electric Supply Contracts With a Term of Greater Than a Year, and Requiring Customers Served Under Such Contracts to Revert to Utility Standard Offer Service at the End of the Contract Term, is Unnecessary Under Standard Industry Practice***

It is standard industry practice for residential variable rate supply contracts to have month-to-month terms. The variable rate contract continues each month until the customer decides to cancel, and when the contract is cancelled, it is also standard industry practice that there would be no applicable termination fee. The customer may be opting to cancel in order to purchase a different product with its current competitive supplier, to take supply service with a different competitive supplier or to return to utility standard offer service (SOS). That being the case, the proposal to limit such variable price residential electric supply contracts to a one-year term is unnecessary as the customer has the ability to cancel the contract at any time without penalty. Moreover, requiring the customer to revert to utility SOS at the end of a variable contract term is inappropriate and would prohibit the customer from exercising the ability to choose another competitive option that may suit its needs at that time.

***Competitive Suppliers Should Not Be Required to Include the Pricing Information of Utility Competitors in Residential Offers and Contracts***

Utility SOS, by design, is basic, “plain vanilla” commodity service. The promise of the competitive retail market is to provide customers with product offerings customized to their individual needs and preferences. So, for example, long-term fixed rate products that allow a customer to lock-in a known rate for an extended period for budgeting purposes, or renewable electric products that appeal to consumer preferences for green products. These products are frequently offered at a price premium to the utility SOS rate. The price reflects suppliers’ increased costs and risks of offering these products. It is paternalistic and just plain wrong to assume that consumers do not understand or appreciate that certain energy products are offered at a price premium. It is also wrong to assume that consumers do not receive additional value for these products. Of course, consumers must receive appropriate disclosures at the time of contracting to ensure they understand the nature and price of the product they are buying.

However, requiring a competitive supplier to include the utility SOS price on contracting documents would perpetuate the misconception that the utility plain vanilla commodity offering can be evaluated on an apples-to-apples basis with a competitive supplier’s value-added product and that the only value proposition that matters is cost savings. Moreover, SOS pricing is subject to retroactive or future price adjustments that are not evident to consumers. By comparison, a fixed rate mortgage will likely carry a price premium when compared with a variable rate mortgage, but the value of price certainty that is attendant with a fixed rate mortgage is well understood. The same principle applies here. Likewise, Maryland has ambitious renewable energy goals. Pricing disclosures that devalue renewable energy products should not be adopted.

Utility SOS pricing information is readily available on the MDPSC’s shopping website, [www.mdenergychoice.com](http://www.mdenergychoice.com), on the utility’s websites, and on the customer’s utility bill. These are all valuable tools at the disposal of a shopping consumer. It is, however, inherently wrong to require a retail electric supplier to also include the pricing information of its utility competitor on the retail electric supplier’s contracting documents. From a practical perspective, requiring such disclosures will also impose a cost burden on suppliers associated with continuous updates to the contract documentation to include the utility SOS price.

## ***Restrictions on Supplier Compensation Methods Should Not Be Imposed***

Prohibiting commission-based or pay-per-contract compensation for customer choice marketing employees or contractors would be an unwarranted interference in supplier compensation models. Commission-based and pay-per-contract compensation is an important means of incenting sales agent performance. It is a common form of compensation for people acting in sales roles across industries as it rewards employees as a direct measure of their work efforts, as compared with hourly wages or a fixed salary approach. If the underlying perceived issue to be solved is with sales agent sales practices, this should be addressed, with respect to suppliers, in the form of a training program (which the MDPSC has the authority to adopt), and with respect to customers, in the form of more robust consumer education.

The bill language does not address whether the compensation restriction would be limited to residential sales or also apply to commercial customer sales. SFE Energy does not believe a prohibition on commission-based or pay-per-contract compensation is warranted for either class of customer.

### ***Conclusion***

SFE Energy appreciates this opportunity to offer its perspective on HB236. For the reasons set forth herein, SFE Energy opposes the bill and respectfully requests an unfavorable report by the Committee.

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