January 25, 2024

Senator Brian Feldman, *Chair*
Senator Cheryl Kagan, *Vice-Chair*
Senate Education, Energy, and the Environment Committee
2 West, Senate Miller Building
Annapolis, Maryland 21401

RE: Senate Bill 1/ House Bill 267: Electricity and Gas - Retail Supply - Regulation and Consumer Protection – OPPOSED

Dear Chairman Feldman & Vice-Chairwoman Kagan:

IGS Energy offers this written testimony in opposition to **Senate Bill 1/House Bill 267: Electric and Gas – Retail Supply – Regulation and Consumer Protection** as currently drafted. As written, the bill would eliminate retail competition in Maryland ("MD"). Moreover, as stated further in this testimony, the bill would lead to a reduction in renewable and carbon-neutral product offerings and a reduction in renewable generation investment in the state of MD.

About IGS Energy

IGS has been in business for over thirty years, with over 1.5 million retail electric and natural gas customers throughout the United States. IGS has developed nearly 400 MWs of commercial and residential solar facilities, totaling over $1.3 billion in investment. We only offer green electricity and carbon-neutral natural gas products to residential customers and we are committed to being a carbon-neutral company by 2040.

IGS has been active in MD for over a decade, serving thousands of green retail electric and carbon-neutral natural gas customers. Moreover, IGS serves community solar customers and develops rooftop solar solutions for residential and commercial customers. IGS employs an internal sales force that operates in MD to sell all of the above products and services. In MD and throughout our footprint, no formal complaint has ever been resolved against IGS.

The Bills Eliminate Retail Competition and Stifle Renewable Energy

IGS understands that these bills have been described as consumer protection measures. IGS supports consumer protection and would embrace the opportunity to have a productive discussion about consumer protection. But the current form of the bill represents a multipronged attack on the foundation of the retail market in MD. Passage of the bill would effectively end retail competition in this state.

Specifically, the following provisions would impose supplier restrictions that would render the market unworkable, and consequently, IGS would likely cease to offer green and carbon-neutral retail energy products in MD:

- **Prohibit suppliers from offering a price that exceeds the trailing 12-month utility default service price**. Supplier products are not comparable to utility default service; therefore, pricing comparisons yield little value. For example, it is illogical and provides no meaningful insight to compare a historical brown power product or brown gas product to a 100% green or carbon-neutral product. This comparison is rendered even more futile by the fact that historic prices are not indicative of future prices. Likewise, the twelve-month historical average is irrelevant to a fixed-price long-term contract that may insulate a customer from the risk of future fluctuations in wholesale market pricing.

- **Prohibit suppliers from offering products of a term longer than one year.** This provision simply takes away the ability of customers to hedge against the risk of market price fluctuations. This provision would be synonymous to taking away fixed-rate, long-term mortgages from your constituents and leaving them with the only option of selecting an adjustable-rate mortgage.

- **Prohibition against auto-renewal**. Suppliers invest in MD to attract and retain customers. Requiring a supplier to obtain affirmative consent to keep their customer after the expiration of a primary term undermines the supplier-customer relationship and will simply increase the cost of doing business as a supplier. Effectively, it results in all customers automatically being transferred to utility default service, forcing customers to take brown power and gas against their will. Such a requirement undermines the customer preference to continue their relationship with a supplier and erects costly barriers to competition that simply are not present in other similar industries like telecommunications and cable.

- **Prohibition against variable rates, other than rates that adjust seasonally no more than twice a year.** While IGS does not market variable rates during a primary term, this provision would undermine customer preferences and impose unreasonable restrictions on supplier marketing.

- **Prohibition against purchase of receivables.** Utilities are made whole for their receivables regardless of whether customers pay their energy bills. Treating supplier receivables differently provides a competitive advantage to the utility default service product, disrupts the competitive playing field, and promotes customer gaming of supplier-related receivables.

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- **Requirement that an energy salesperson be separately licensed**. To the extent that this provision is intended to apply to retail suppliers—companies that are already licensed and registered with the Commission—this provision appears redundant. This provision imposes an extra burden on individuals hoping to make a living offering retail energy solutions.

- **Prohibition against salesperson commission or other incentive-based compensation to any energy salesperson**. While IGS' employed salesforce is compensated predominantly through base salary, the removal of incentives for performance is antithetical to competition and contrary to principles espoused by nearly any business that operates in a competitive market. This provision defies logic, and no justification has been provided to warrant its implementation.

In addition to the above commentary, IGS supports the more extensive comments submitted by the Retail Energy Supply Association and the Retail Energy Advancement League. If passed, this bill will effectively close the retail energy market in MD. That will dramatically reduce the availability of green energy products for retail electric and retail natural gas customers.

Moreover, the passage of the bill in its current form will suppress the development of renewable energy in MD. IGS is a holistic green energy company that prides itself on reinvesting 90% of its profits—mostly into the development of residential and commercial solar energy facilities. By closing the market in MD, the bill would reduce our profitability and thereby reduce the total amount of capital available to develop solar within this state.

The impact of this proposed legislation will not only harm the ability of IGS to raise capital—it also harms the critical confidence necessary to make long-term investments in renewable energy facilities. Solar facilities have a useful life of twenty years or more, with the expectation that investment will be recovered over that lifespan. When a legislature upsets longstanding market rules in the energy industry, it undermines the confidence needed to make long-term investments in other similarly situated businesses. Consequently, passage of this legislation would undermine our confidence that market rules for solar and community solar will not be similarly disrupted in the future. Without confidence in the future energy landscape in MD, necessary capital investment may be allocated to more stable energy environments. For these reasons, IGS urges the MD General Assembly to not pass this bill.

Conclusion

IGS vigorously supports consumer protection. But this bill is not tailored to protect consumers—it is crafted to close an industry and deprive customers of renewable energy products and services. IGS appreciates the opportunity to provide testimony on the current draft of these bills. IGS welcomes a discussion to enhance customer protections and consumer education and is hopeful that it may partner with lawmakers to reach reasonable solutions that balance the interest of promoting innovative products delivered by the competitive marketplace and ensuring adequate consumer protections.

Respectfully submitted,

/s/ Joseph Oliker

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