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SB 1 Electricity and Gas-Retail Supply – Regulation and Consumer Protection
Senate Education, Energy, and the Environment Committee
FAVORABLE
January 25, 2024

Good afternoon, Chairman Feldman and members of the Senate Education, Energy, and the Environment Committee. I am Tammy Bresnahan, Senior Director of Advocacy for AARP Maryland. AARP has more than 850,00 members statewide. AARP is the largest nonprofit, nonpartisan organization representing the interests of Marylanders age 50 and older and their families. Key priorities of our organization include helping all Marylanders achieve financial and health security. AARP MD supports SB 1 Electricity and Gas-Retail Supply-Regulation and Consumer Protection. We thank Senator Augustine for sponsoring this bill.

AARP is working hard to strengthen retirement security for all Americans by ensuring that workers and retirees have access to their hard earned and hard saved dollars. The rising cost of essential necessities, including groceries, utilities, and prescription drugs, is of significant concern for millions of Marylanders, especially for older and retired Marylanders living on fixed incomes. In fact, according to an AARP study, in 2017, 22% of Maryland residents stopped taking medication as prescribed due to rising costs.

Older Marylanders on fixed incomes clearly feel the effects of inflation more than the rest of us. These retirees bear a disproportionate brunt of drug and medical inflation, which is significantly higher than overall inflation. And when they can't pay their gas and electric, life becomes even more problematic.

Background

Traditionally, both gas and electric utilities have been monopolies subject to government regulation. This helps ensure that all customers in the service area receive reliable service under fair terms, conditions, and prices. Since the mid-1990s, one-third of states have opened part of these markets to competition including Maryland.

Some argue that retail energy prices are lower in restructured markets. However, other factors can drive up the total cost of service for consumers above the base rate. Price volatility, market manipulation, and regulator-approved fees and charges are a few factors. Additional consumer challenges in restructured markets include but are not limited to misleading marketing practices and variable-rate contracts.



In 1999 the Electric Choice Act was passed by the Maryland General Assembly and signed by then Governor Parris Glendening. It was heavily lobbied by big energy. They lobbied and testified that “Deregulation” would provide economic benefits for **ALL** customer classes. After more than 20 years, what we know is that, after an introductory rate, what we call a “teaser rate” is offered, the retail energy contracts include legal language legally allowing the energy rates to convert to variable rates. These variable rates have no regulator oversight. Suppliers sell low, then bill high.

We all get those calls and mailers, and many get the knock on the door. Retail energy suppliers are selling energy at the malls, big box stores, and at the front door. The salespeople pitch lower gas and electric rates, gift cards or airline miles, if you switch. Often, retail energy suppliers rely on predatory sales tactics to trick folks into unwittingly signing up for cheaper “teaser” gas and electric rates, only for those rates to go to a variable rate within three months. UC Berkeley research using BGE’s data reported that the average teaser rate was only 2 months.

SB 1 Electricity and Gas – Retail Supply – Regulation and Consumer Protection does the following:

- Requires an energy salesperson who sells electricity service to obtain a state license, good for three years; and lays out guidelines for qualifying for the license and punishment for those who break the rules. Individuals could be fined \$25,000 for selling fraudulent service packages to unwitting consumers.
- Requires if a deregulated market is going to compete in Maryland, consumers must be provided savings. If Marylanders switch, there should be a savings.
- Allows utilities, which benefit from being the default electricity provider under the current system, to market their energy to consumers the way other companies do. This provision is necessary to give consumers a full picture of the entire marketplace, as they consider the menu of energy suppliers.
- Clarifies that some electric suppliers are offering renewable energy credits to support their clean energy marketing claims, rather than a guarantee of clean energy, and,
- Requires the Maryland Public Service Commission, which regulates utilities, to hire more staff to police the activities of the retail companies.

AARP believes that policymakers in states that have restructured or deregulated electricity and or retail natural gas should:

- adopt consumer protections;
- provide vigorous oversight to protect against unfair, deceptive, or abusive practices, including deceptive marketing materials; and
- prohibit variable-rate contracts.

SB 1 adopts consumer protections against marketing and service provision abuses related to disclosures, contracts, codes of conduct, service quality, and marketing materials. It protects consumers when they switch from a regulated energy market to an unregulated energy market.

SB 1 isn’t designed to end competition in the electricity market. This bill is to provide oversight. This bill protects consumers when they switch from a regulated energy market to an unregulated energy market.

For these reasons, we ask for a favorable report on SB 1. If you have questions, please contact me tbresnahan@aarp.org or by calling 410-302-8451.