



Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

Testimony to the Senate Education, Energy and the Environment Committee
SB 1 – Electricity and Gas – Retail Supply –
Regulation and Consumer Protection
Position: Favorable

The Honorable Brian Feldman
Senate Education, Energy, and the Environment Committee
3 West, Miller Senate Building
Annapolis, MD 21401
cc: Members, Senate Finance Committee

Jan. 25, 2024

Honorable Chair Feldman and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works to safeguard Maryland consumers and promote safety, transparency, and fair treatment of Maryland drivers and car buyers.

Consumer Auto supports **SB 1** because it establishes urgently-needed guardrails and protections that could finally turn Maryland's long-troubled "energy choice" program into an asset rather than a millstone for residential energy consumers.

While the idea of enabling consumers to choose their own energy suppliers certainly sounds appealing, the ill-regulated, confusing, and often predatory sales market that has in fact developed around the program has proven costly and harmful for many residential energy customers.

Many of those problems have been widely reported. Consumers working with "retail choice" suppliers have regularly been victimized by, among other things, aggressive and dishonest sales tactics, by bait-and-switch sales offers that bring people in with low introductory rates but carry variable rates that end up being very costly; by long-term or automatically renewing sales contracts that carry expensive cancellation clauses; by promises of green power from suppliers that ultimately can't show they really provide energy from clean sources.¹

And for most retail customers the promise the promise of savings through choice has proved a costly illusion. Data shows that residential electric and gas customers in the retail choice program paid \$1.2 billion more than they would have paid their regulated for energy from 2014-22. Data from 2022 show that the avg. price consumers paid a regulated supplier for electricity was about 8 cents/kwh; for retail energy customers the cost was 50% higher (about 12 cents/kwh).² 2021 figures

¹ See, for instance, <https://www.baltimoresun.com/2023/04/16/complaints-on-the-rise-alleging-deceptive-practices-by-third-party-gas-and-electric-suppliers-in-maryland/>.

² <https://www.energysupplierhelpdesk.org/>



showed that 404,000 households in the residential choice program paid an extra \$117 million for their electricity bills, an average of \$290/household.³

That added expense is a burden for any family of course. But those who work with energy customers struggling to pay their bills know that these additional fees all too often cause families to be unable to pay their energy bills – or to make excruciating choices between paying for rent or medicine or adequate food and meeting their utility bills. At the same time, data shows that aggressive door-to-door energy choice marketing focuses on dense, low to middle-income neighborhoods, causing consumers in Baltimore’s lowest-income neighborhoods and many Black, Hispanic and immigrant families to pay higher rates than the rest of the state’s consumers.⁴

It’s worth emphasizing that the kind of problems we’ve seen in this program are not limited to Maryland – or the result of a few bad apples among our state’s suppliers and energy salespeople. Retail choice programs around the country have resulted in dramatic overcharges of vulnerable consumers, with the Wall Street Journal (which is no enemy of market choice) estimating the total overcharges at \$19.2 billion.⁵ Data from New York, New Jersey, Massachusetts, Pennsylvania, Texas and other states all show that households in retail choice programs pay, on average, several hundred dollars more per year for energy than those using traditional public utilities with regulated rates pay.⁶

To make retail choice work well for consumers, Maryland needs to take strong steps to clean up the marketplace and eliminate predatory pricing and sales practices. **SB 1** would take many important steps to do that. Most importantly, it protects against price rip-offs by requiring alternative suppliers not to exceed the prices charged under the area’s Standard Offer of Service (SoS) over the previous 12 months. Among other key consumer protections, the bill also:

- prohibits sales contract from lasting more than one year or from renewing automatically
- prevents suppliers from charging variable rates (except for limited seasonal and time-of-day variations) or imposing cancellation fees.
- mandates proper licensing of energy suppliers and salespeople and gives the state the ability to impose serious sanctions for misconduct.
- defines what “green power” means and requires suppliers to disclose what they’re getting to consumers.

³ <https://www.baltimoresun.com/2023/04/16/complaints-on-the-rise-alleging-deceptive-practices-by-third-party-gas-and-electric-suppliers-in-maryland/>

⁴ https://insideclimatenews.org/news/20032023/maryland-utility-bills/?utm_source=InsideClimate+News&utm_campaign=412ea9c3c9-EMAIL_CAMPAIGN_2023_03_25_04_00&utm_medium=email&utm_term=0_29c928ffb5-412ea9c3c9-327973189.

⁵ <https://www.marylandmatters.org/2021/09/13/opinion-is-retail-energy-choice-an-aladdins-tale/>

⁶ <https://www.utilitydive.com/news/retail-choice-bad-deal-consumers-arrearages-renewable-energy-community-choice/694355/>



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- requires clear and detailed disclosure of data on how much energy third-party suppliers are selling and how much Marylanders are paying for it.

In a sense Maryland recognized the need for rate reform three years ago, when we passed legislation that requires suppliers serving the low-income Marylanders served by the state's energy assistance program to charge rates consistent with the "Standard Offer of Service" rates from the regulated utility (SB31/HB 397, sponsored by Sen. Mary Washington and then-Delegate Brooke Lierman). That reform worked to protect the most vulnerable consumers against being over-charged and to make sure that the state's scarce energy-assistance dollars go as far as possible to help those in need.

SB 1 would build on that reform by extending similar rate protections to all Maryland consumers. At the same time, it would give consumers confidence that energy choice won't turn into a nightmare – that we won't be victimized by long-term, variable rate contract that carry burdensome cancellation fees; that our salespeople and suppliers are licensed by the state and can be held accountable for misconduct; that if we sign up (or agree to pay a premium for) for clean/green energy, that's what we will get.

That's the kind of reform we need to make "retail choice" work for residential consumers. And these rules certainly allow alternative suppliers to continue to compete for market share – as long as they can offer energy at rates competitive with those from our regulated regional suppliers and respect appropriate consumer protections.

Consumer Auto supports SB 1 and asks that you give it a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto