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To: Chair Feldman and Members of the Committee  
Subject: HB1532 - Utility RELIEF (Reducing Energy Load Inflation for Everyday Families) Act  
Position: FWA

Dear Chair Feldman and Members of the Committee,

WGL Energy is a Maryland-based company with over 30 years of operations in the state, serving customers such as UMD and the Department of General Services. The company upholds integrity and supports the consumer protection measures in SB 1, such as enhanced transparency, marketing safeguards, and regulations on variable pricing, which effectively address documented consumer concerns. Nonetheless, SB 1 extended its scope beyond consumer protection and brought about substantial modifications to Maryland's retail electricity market structure. HB1532 presents an opportunity for the General Assembly to address the structural challenges that have emerged since the implementation of SB 1 in 2024.

The combined impact of SB 1's pricing limits, the removal of purchase of receivables (POR), billing structure uncertainties, and tariff-based customer definitions has substantially restricted Maryland's restructured electricity market, with some issues left unresolved in the legislation.

The following clarifications are needed to restore competitive function while maintaining consumer protections.

### **1. Forward Looking Residential Price Cap**

While we appreciate the work the House Environment and Transportation Committee has done thus far related to the SB1 price cap. But a price cap tied to the current SOS—even with a 10% adder—does not reflect the realities of hedging multi-year residential supply.

The residential price cap linked to the Standard Offer Service (SOS) in SB1 has created a core structural imbalance in Maryland's electricity market, distorting price signals and hampering effective retail competition.

Maryland utilities acquire SOS supply through laddered wholesale auctions held twice a year. These auctions secure portions of energy months in advance, creating a blended supply portfolio that reflects historical wholesale conditions rather than current market realities. As a result, the rate is inherently backward-looking. When this procurement method is combined with a 12-month trailing average approach, the lag effect becomes even more pronounced. SOS prices then mirror past markets, not current risk, costs, or future expectations.

Retail suppliers operate under a separate system, acquiring and hedging energy in forward, day-ahead, and real-time wholesale markets managed by PJM Interconnection. Their prices must account for current forward curves, shifting capacity requirements, ancillary service costs, and real-time market volatility. Suppliers handle live market risks, while SOS prices are based on historical averages. This creates a structural mismatch: SOS reflects past market conditions, but suppliers must price based on current and future market fundamentals. This discourages competition based on operational efficiency, innovation, or customer value, instead establishing a regulated price benchmark that competitors cannot practically match without taking on excessive risk or losing money.

As a result, suppliers compete against a historical, lower composite of past prices rather than the current SOS rate customers are paying. This situation pushes suppliers to overperform market fundamentals just to enter the market, which forms a barrier rather than facilitating genuine competition.

Maryland's restructuring framework was aimed at enhancing competition, consumer choice, and long-term affordability. However, a pricing structure that inherently stifles effective market participation by relying on a historical cap disconnected from current wholesale conditions fails to support these policy objectives.

**Forward-Looking Price Cap:** While we strongly believe that price caps of any kind are unnecessary and undermine the ability of market pricing to use competition to drive efficiency and cost savings, if a price cap is to be used then it must be forward-looking. A forward-looking price cap protects consumers while allowing suppliers to hedge risk and offer stable, multi-year products within the parameters of the pricing mechanism. In competitive markets, suppliers procure and hedge energy for future delivery to lock in costs and reduce volatility. Any appropriate cap should be anchored to these same forward market fundamentals.

## **2. Allowing 36-Month Contracts Promotes Stability and Affordability**

SB 749 should be amended to explicitly permit 36-month fixed-price contracts to ensure consumers have access to meaningful long-term price stability. Over a three-year period, fixed-price contracts tend to stabilize market fluctuations and may match or surpass the effects of successive SOS adjustments caused by wholesale market swings.

Recent price fluctuations in Maryland emphasize the importance of having budget certainty and risk management strategies. Since energy markets are cyclical, short-term price comparisons capture only a single moment in that cycle and do not reflect the overall consumer experience over time.

Longer-term contracts allow suppliers to hedge more effectively over extended periods, thereby lowering their exposure to short-term volatility. That improved hedging efficiency translates into more predictable cost structures for customers, such as seniors on fixed incomes who cannot absorb sudden bill spikes, and small businesses operating with narrow margins. The one-year limitation on contracts effectively confines customers to snapshot comparisons against SOS rather than empowering them to select the risk profile that best suits their financial circumstances.

### **3. Billing Structure: The Elimination of POR and the Absence of Required UCB**

In Order No. 91463, issued on December 30, 2024, the Maryland Public Service Commission enforced the statutory ban on Purchase of Receivables (POR) established by SB 1. The Commission decided that since SB 1's POR ban took effect on January 1, 2025, all new residential retail supply contracts must now adopt a dual billing system.

The evidence indicated that utilities were unable to implement a non-POR Utility Consolidated Billing (UCB) model by the deadline. As a result, the Commission concluded that dual billing was the only practical interim solution, both in terms of administration and technical feasibility. However, the Commission also specified that from January 1, 2026, utilities would no longer be required to offer UCB services to third-party suppliers unless there is a specific negotiated agreement. While SB 1 explicitly abolished POR, it did not clearly specify whether utilities are still required to provide non-POR UCB. During the proceeding, retail suppliers asked for regulatory clarity on this issue. However, the final order stated that continued access to UCB depends on bilateral negotiations rather than a regulatory mandate.

The practical consequences are significant. Retail suppliers must now independently develop and maintain standalone billing systems. At the same time, customer acquisition costs materially exceed available margins under the Standard Offer Service (SOS) price cap structure. The absence of assured access to consolidated billing eliminates economies of scale, diminishes operational efficiency, and substantially weakens the economic rationale for market participation.

Removing POR and lacking a required non-POR UCB framework have greatly restricted retail supplier involvement in Maryland's residential market. Providing clear legislative guidance that mandates utility support for non-POR UCB would establish a neutral billing system and encourage greater market participation.

Order No. 91463 in the SB 1 implementation process clarified that customer classification for SB 1 is strictly determined by each utility's approved tariff designations. The Commission explicitly decided not to carve out accounts based on their function or operational use, instead establishing a straightforward rule: if an account is labeled as "residential" in the tariff, SB 1 residential requirements are applicable.

Utilities have since stated they are unwilling to reclassify such accounts outside of their current tariff structures. Retail suppliers are not trying to reclassify these accounts but merely want to exclude accounts where the operational characteristics differ significantly from traditional single-family

residential service, allowing customers to access services from a competitive retail supplier. As a result, many accounts functioning commercially but billed under residential meters are classified as residential for SB 1 compliance. This mainly includes master-metered multifamily properties where utilities are included in rent and obtained through a commercial supply agreement by the property owner or manager.

SB1 was created to safeguard residential consumers. Often, these customers undergo an RFP process and choose the best bid based on their preferences. The procurement, operational risk profile, and contractual terms are all commercial, but the regulatory classification remains residential due to tariff labeling. This results in limited market participation for accounts that operate commercially and were often active in Maryland's retail supply market before SB1 was implemented.

We think that clarifying this point would better align the statutory intent with real-world operations. It would maintain protections for consumers at the household level while preventing unintended restrictions on property owners' and operators' commercial procurement choices.

**Clear Definition of Retail Customers:** Commercial customers, whether large industrial entities or small businesses, operate within a procurement framework markedly distinct from that of residential consumers, for whom SB 1 protections were originally intended. Typically, commercial customers engage professional energy brokers, issue formal Requests for Proposals (RFPs), and award contracts through a competitive bidding process. These entities are sophisticated market participants who, under the original legislative interpretation, were not meant to be subjected to SB 1's restrictions. Furthermore, we respectfully request that HB1532 include language affirming that it does not alter or require any change to a customer's existing utility tariff classification, thereby preventing unintended reclassification by utilities.

## **Conclusion**

Order No. 91463 demonstrates how the Commission is implementing SB 1 within existing legal and operational limits. However, SB 1 does not completely resolve the fundamental structural differences between SOS procurement and retail pricing, nor does it clarify the future of non-POR Utility Consolidated Billing, the management of residential-metered accounts operated commercially, or how long-term fixed-price contracts may affect consumer protection. SB 749 offers an opportunity to clarify these issues and re-establish effective competition aligned with Maryland's restructured market framework, all while safeguarding consumer interests. Thank you for your consideration.