

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1340
Economic Matters

(Delegate Davis)

Finance

Electric Companies and Gas Companies - Customer Account Information

This bill requires each distribution utility other than a cooperative, on request, to provide competitive suppliers with specified customer account information for its residential and small commercial customers under specified conditions. Each distribution utility must provide notice to its customers and grant each customer the opportunity to “opt-out” of having their customer information shared with competitive suppliers. The competitive supplier may only use the information for marketing its electric or gas services and may not resell or otherwise disclose the information. The Public Service Commission (PSC) must allow each distribution utility to recover its prudently incurred costs to provide the information, as determined by PSC, directly from the requesting competitive supplier.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: None. PSC can implement the bill with existing budgeted resources.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Each distribution utility must provide the account name, the billing and service address, rate class, type of service, load profile, and energy consumption to a competitive supplier that requests the information. A “distribution utility” is defined as an electric company, gas company, or electric and gas company. A “competitive

supplier” is defined as an electricity supplier or gas supplier. Customer information must be transmitted in electronic form and must be updated at least four times each year.

Each distribution utility must notify new and existing customers of the intent to share customer information and allow each customer the opportunity to opt-out of having that information shared with competitive suppliers. New customers must receive written notice at the time of enrollment, and existing customers must receive written notice through a bill insert. The bill establishes other provisions related to the authorization to share information. At any time, a customer may withdraw its authorization and an electricity supplier must redact that customer’s information from its records; and refrain from contacting that customer directly by mail or telephone. A competitive supplier may only use customer information obtained from distribution utilities to market electricity or gas supply services; the bill specifically prohibits competitive suppliers from selling or providing the information to any other person.

PSC must allow the distribution utility to recover directly from the competitive supplier the prudently incurred costs of providing the information. PSC determines whether the costs are prudently incurred.

Current Law: Under current regulations, electricity suppliers may not share customer account or billing information without authorization from the customer, except for the sole purpose of facilitating billing, bill collection, and credit reporting. Rulemaking 17, initiated in 2005, sought to address customer protections and initially included proposed regulations for the sharing of customer information between electric companies and electricity suppliers. The sharing of customer information was not included in the final adopted regulations, however.

The Electric Customer Choice and Competition Act of 1999 (Chapters 3 and 4) facilitated the restructuring of the electric utility industry in Maryland. The Act required electric companies to divest themselves of generating facilities or to create a structural separation between the unregulated generation of electricity and the regulated distribution and transmission of electricity. Some electric companies created separate entities to operate unregulated and regulated businesses under a single holding company structure and other companies divested generation facilities. The resulting system of customer choice allows the customer to purchase electricity from a competitive supplier or continue receiving electricity under standard offer service (SOS). Default SOS electric service is provided by a customer’s *electric company*. Competitive electric supply is provided by competitive *electricity suppliers*.

A competitive market for supply of natural gas has been available to large industrial customers since the 1980s. Maryland was one of the first states to consider deregulating natural gas markets for residential and small commercial customers. In 1996 the

competitive market was expanded to these classes of customers as a pilot program. Chapter 669 of 2000 granted PSC the same licensing authority of gas suppliers as over electricity suppliers. Default SOS natural gas service is provided by a customer's *gas company*. Competitive natural gas supply is provided by competitive *gas suppliers*.

Background:

Electric Customer Choice

During the initial transition period from July 1, 2000 through June 30, 2004, rate caps were imposed for residential customers in PEPSCO and Delmarva service territories. Rate caps in BGE and Allegheny Power expired June 30, 2006 and December 31, 2008, respectively. In both BGE and Allegheny Power service territories, PSC allowed many customers to mitigate the increases through a rate stabilization plan.

The rate caps, which aimed to give the electric industry time to switch to a competitive market, resulted in electricity suppliers being unable to compete with the below-market SOS rates in effect under the residential rate caps. Prior to the expiration of rate caps, the potential savings for residential customers offered by customer choice were limited as few competitive suppliers had offered rates lower than SOS. Since the expiration of rate caps, competitive electricity suppliers are offering retail electric at rates lower than SOS in the State's largest service territories. **Exhibit 1** shows the number of competitive electricity suppliers in each service territory and the current price to compare. In this exhibit, it should be noted that not all electricity suppliers in each service territory are currently allowing new customer enrollment.

Exhibit 1
Residential Electric Choice
March 2010 Survey

<u>Service Area</u>	<u>SOS Price (per kWh) To Compare</u>	<u>Competitive Suppliers</u>	<u>Suppliers With Current Offers Lower Than SOS</u>
BGE	\$0.1197	7	5
Delmarva	0.1111	3	1
PEPCO	0.1251	4	2
Allegheny Power	0.0854	2	2
SMECO	0.0946	0	0
Choptank	0.0891	0	0

Source: Office of the People's Counsel

Nearly all alternative plans to SOS require a fixed-length contract of at least 12 months and have cancellation fees that range between \$75 and \$200. The majority of these alternative plans also include a portion of renewable energy, which may add additional cost. **Exhibit 2** illustrates the number of residential customers that are currently served by competitive electricity suppliers in each service territory.

Exhibit 2
Residential Customers Served by Competitive Suppliers
January 2010

<u>Distribution Utility</u>	<u>Customers Served by Competitive Suppliers</u>	<u>Total Accounts</u>	<u>Percent of Total</u>
Allegheny Power	2,957	219,147	1.3%
BGE	55,075	1,112,815	4.9%
Delmarva	2,478	173,482	1.4%
PEPCO	41,217	483,855	8.5%
Total	101,727	1,989,299	5.1%

Source: Public Service Commission

Since the removal of rate caps for residential customers, the number of residential customers receiving competitive service has increased; however, the majority of residential customers still procure electricity from SOS. Since 2006, the number of residential customers receiving competitive service has increased from 27,768 to 101,727 and the number of nonresidential customers has increased from 10,688 to 71,778. As shown in **Exhibit 3**, the percentage of customers receiving competitive service has increased significantly since 2006.

Exhibit 3
Percentage of All Customers Served by Electricity Suppliers

<u>Customer Class</u>	<u>January 2006</u>	<u>January 2007</u>	<u>January 2008</u>	<u>January 2009</u>	<u>January 2010</u>
Residential	1.4%	2.4%	2.8%	2.8%	5.1%
Small Commercial & Industrial	2.7%	22.3%	22.4%	17.0%	23.4%
Mid Commercial & Industrial	15.9%	51.8%	53.0%	47.3%	51.0%
Large Commercial & Industrial	78.9%	88.4%	89.3%	86.7%	87.9%
Total	1.8%	4.9%	5.3%	5.1%	7.8%

Source: Public Service Commission

Exhibit 4 shows the recent increase in the number of residential electric customers receiving competitive electric service in the major distribution territories.

Exhibit 4
Residential Electric Customers
Receiving Competitive Electric Supply

<u>Distribution Utility</u>	<u>January 2009</u>	<u>January 2010</u>
Allegheny Power	42	2,957
BGE	26,291	55,075
Delmarva	984	2,478
PEPCO	27,221	41,217
Total	54,538	101,727

Source: Public Service Commission

Competitive Supply of Natural Gas

Competitive supply of natural gas has seen greater implementation for residential customers than competitive electric supply. **Exhibit 5** shows each natural gas customer class and the percentage of customers that are currently receiving natural gas from a competitive supplier. Between December 2008 and 2009, the number of residential customers receiving natural gas from a competitive supplier increased from 113,781 to 125,366.

Exhibit 5
Percentage of Eligible Customers Served by Competitive Natural Gas Supply
December 2009

<u>Distribution Utility</u>	<u>Residential</u>	<u>Firm Service Commercial and Industrial</u>	<u>Daily-metered and Interruptible</u>	<u>Total</u>
BGE	9.9%	23.1%	87.1%	10.9%
Chesapeake Utilities	NA	71.4%	100.0%	71.9%
Columbia Gas, Maryland	2.6%	4.7%	48.2%	3.1%
Elkton Gas	NA	0.0%	0.0%	0.0%
Washington Gas	15.8%	41.1%	100.0%	17.6%
Total	12.00%	29.00%	82.80%	13.30%

Source: Public Service Commission

Small Business Effect: Small businesses that are not currently aware of competitive electricity or natural gas supply options could benefit from an increased awareness of lower priced electric and natural gas supply as a result of the bill. Small businesses that provide competitive electricity or natural gas supply also stand to benefit from the bill; sharing customer information will allow competitive suppliers to direct marketing efforts more efficiently.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission, Department of Legislative Services

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