



Legislation Text

File #: 19-0127R, Version: 0

*** Warning:** This is an unofficial, introductory copy of the bill.
The official copy considered by the City Council is the first reader copy.

Introductory*

City of Baltimore Council Bill R (Resolution)

Introduced by: Councilmember Henry

A Resolution Entitled

A Council Resolution concerning

Request for State Action - Reform Residential Retail Electricity and Natural Gas Markets

For the purpose of calling on the Baltimore City delegation to the 2019 Maryland General Assembly to create legislation that requires the Public Service Commission to collect and analyze retail electric and natural gas supplier actual rates, usage, and zip-code information and data for residential customers; eliminate retail supplier individual residential market contracts; make aggregated supply options that would lower costs available to households; and enact additional consumer pricing and contract safeguards for all Maryland residents who choose third-party energy supply.

Recitals

Nearly two decades ago, the Maryland General Assembly passed the Electric Customer Choice and Competition Act of 1999, or the Electric Choice Act. The Public Service Commission (PSC) authorized retail competition for residential gas customers in 1999, and legislation requiring licensing and consumer protection requirements for gas retail competition was passed in 2000. Before the electricity and natural gas markets were deregulated, all Maryland residents got their electricity and natural gas from the regulated monopolies that were granted franchises to provide electricity and natural gas in specific service areas. The authorization of retail competition allowed residents to purchase electricity from retail electricity suppliers and retail natural gas suppliers. The authorization of retail competition aimed to increase competition in the electricity and natural gas markets; the law anticipated that competition and innovation would result in economic benefits for all consumer classes.

Retail competition authorized by the Maryland General Assembly and the PSC has reached some of its aims. There are hundreds of licensed suppliers and over 60 active electricity and natural gas suppliers to Baltimore City consumers at any given time. The market now has renewable and green energy options, fixed and variable rate plans, customer reward and loyalty programs, and a variety of benefits including airline points, charitable donations, and National Park passes. Large commercial customers are, on average, saving money.

Yet, federal data, and a report commissioned by the Maryland Office of People's Counsel, indicate that retail competition in Maryland has largely failed to lower prices for residential consumers; on the contrary, prices are, on average, considerably higher. Regulated utility providers in each service area charge residential Standard Offer Service (SOS) rates. Third-party supplier residential electricity data published by the U.S.

Energy Information Administration reveal that, from 2014 to 2017, Maryland households that chose retail electricity paid an estimated \$255 million more than they would have if they had remained with their regulated utilities' standard offer, excluding suppliers who sell renewable energy. In short, the energy sold is the same, but the price is substantially higher.

The Baltimore City Council is deeply concerned by a recent Abell Foundation report that found that our City's most vulnerable households are being targeted by retail suppliers and are paying significant pricing premiums. Much of the assistance money meant to help vulnerable households pay their utility bill is going to third party suppliers in the form of higher prices. Increased energy burdens for Baltimore City's low-income consumers have severe and real negative health, medical, financing, and housing consequences.

In order to stop retail suppliers from overcharging Maryland residents, the Maryland General Assembly needs to create legislation requiring the PSC to collect rate data from retail electricity and natural gas suppliers marketing in Maryland. Until this data is collected and published, Maryland citizens will continue to be overcharged. Understanding what actual rates are charged and how these retail plans are established and billed will give legislators the necessary knowledge to put reforms in place and meet the end-goal of the Electric Choice Act.

The legislation should require the PSC to run initial and then yearly reports that analyze the number of utility accounts that are variable priced accounts versus fixed rate accounts, determine the actual price levels of all retail accounts, and, if possible, also determine the number of retail accounts that are subject to termination fees. This data should be provided separately for customers that receive assistance from the Office of Home Energy Programs (OHEP) and from non-OHEP accounts. While this data is being collected and analyzed, the legislature should consider a temporary moratorium on retail supply for customers from the individual residential market.

Experience in other states indicates that aggregated supply can and does lower prices. Maryland legislation should enable OHEP and local government to acquire aggregated energy under contract, provided such contracts guarantee savings as compared to SOS rates and have other safeguards. The legislation should also discontinue individual residential contracts permanently and do the same for variable rates (energy rates that change on a month-to-month basis and often shoot up during especially hot or cold months). Many retailers sign up customers for variable rates without explaining how a variable rate works. Instead of explaining how a variable rate works, many direct sales agents solely focus their sales pitch on cash or loyalty incentives. The customer, who the retailer has failed to properly inform about the rate plan, is surprised, or even unaware, when they are hit with a huge utility bill, especially when the weather takes a turn. When given the choice, customers choose fixed rates over variable rates. Since variable rates are highly volatile and frequently misunderstood by consumers, the legislature should seriously consider eliminating residential auto-renewal to variable-rate contracts without explicit customer explanation and opt-in.

The legislation should improve the design of utility bills to make them more readable and informative for consumers, and the legislation should require and fund changes to improve retailer pricing and contract transparency. Residential utility bills (both online and physical versions) should have the full third-party pricing plan information, including the pricing plan's name and the contract start and stop dates. Providers should clearly list utility SOS electricity and natural gas rates on their websites and on utility bills. Retail providers should include information on all utility bills that show how much the customer saved or overpaid on that invoice cycle compared to the regulated utility offer. All bills should use clear language that is easily understandable; all monetary figures should begin with the dollar sign, and the phrase "kilowatt hours" should be spelled out, rather than abbreviated as "KH". If energy retailers are allowed to continue charging variable rates, retail suppliers should be required to list the past 12-month variable electric or natural gas rates on their websites in a place that customers and potential customers can easily find. Retail suppliers should also be **required** to inform customers about upcoming rate changes and provide customers with a variety of options through which they can receive this information, such as via phone call, text, or physical mail.

The legislation should also require the Public Service Commission to establish a unit within the agency responsible for monitoring the competitive markets and investigations to ensure compliance with the consumer protection rules. Enhanced consumer protection rules are needed, but lack force without adequate enforcement procedures and tools. The Commission also should be able to provide relief to all consumers hurt financially by deceptive practices and non-compliance with consumer protection laws and regulations. Without resources that allow the PSC to investigate and enforce provisions of this legislation, the legislation will lack genuine force.

Finally, the Maryland General Assembly's legislation should delay approving the retail supplier requests before the necessary data has been gathered and analyzed and the necessary consumer protections have been enacted. The legislation should make sure to disallow supplier consolidated billing. Supplier consolidated billing blocks consumers from accessing their utility bill and therefore denies consumers the opportunity to learn about their energy usage or utility rates. This information is necessary for consumers to make decisions in the marketplace, and Maryland residents should not be denied it.

Now, therefore, be it resolved by the City Council of Baltimore, That the Baltimore City Council requests the Baltimore City delegation to the 2019 Maryland General Assembly to create legislation that requires the Public Service Commission to collect and analyze retail electric and natural gas supplier actual rates, usage, and zip-code information and data for residential customers; eliminate retail supplier individual residential market contracts; make aggregated supply options that would lower costs available to households; and enact additional consumer pricing and contract safeguards for all Maryland residents who choose third-party energy supply.

And be it further resolved, That a copy of this Resolution be sent to the Baltimore City Delegation to the 2019 Maryland House of Delegates, the Maryland Public Service Commission, the Maryland Office of People's Counsel, and the Mayor's Legislative Liaison to the City Council.