



An Exelon Company

Position Statement

Oppose
Finance Committee
2/25/2020

SB 315: Electric Industry - Community Choice Energy

Baltimore Gas and Electric Company (BGE) opposes *Senate Bill 315: Community Choice Energy*, which allows for opt-out aggregation for counties or municipalities to provide electricity supply to their residents either through purchased power or from an electric generating facility owned by the county or municipality. Since the enactment of retail choice in Maryland, BGE has consistently opposed opt-out aggregation because it compromises consumer protections and potentially increases in the price of the default service, or Standard Offer Service (SOS).

House Bill 561 effectively thwarts the purpose of the 1999 Electric Customer Choice and Competition Act, that landmark piece of legislation allowed Maryland customers to select their retail energy supplier. Instead, this proposed legislation would authorize local governments to auto-enroll residential and small commercial customers in a local aggregation program after the customer fails to respond to a single written notice within 30 days.

This legislation's single notice, opt-out provision will undoubtedly result in a large percentage of targeted customers being enrolled in an aggregation program without the customer's knowledge or affirmative and informed consent. Further, if this legislation is enacted, a customer would be charged an exit fee if they later discover that they were enrolled in an aggregation program and seek to opt-out. This construct will result in confusion among customers who did not affirmatively choose to be part of the aggregation plan who end up with energy charges that are different than what they were expecting. This concern – the protection of consumer interests—underpins much of the legislation on competitive supply that you are considering during this session.

This legislation also poses risks to customers who do not enroll in an aggregation program. Senate Bill 315 exposes customers who remain on a utility's default service to the potential risk of increased electricity costs — even if the customers reside in a jurisdiction that does not pursue aggregation. Utilities currently purchase energy on behalf of their customers, through a series of auctions whereby the lowest cost bids are selected. This is called default service or standard offer service (SOS). The energy market risk and uncertainty with customers moving from aggregation plans to SOS load and vice versa may result in higher prices to SOS customers. Importantly, if prices increase, all customers who remain on the default service get this same price, regardless of which county they inhabit. In addition, this bill creates the potential that a failed aggregation plan or a high volume of opt-out requests may drive load back to a utility's default service, which in certain instances may require the utility to procure electricity on the Real-Time Energy Market. These prices are subject to fluctuations in the real-time electricity market which could be higher or lower. Any additional costs related to real-time market prices would be spread across all default service customers throughout the utility's Maryland service territory and across municipal and county jurisdictional lines.

Senate Bill 315 raises several other consumer protection concerns. For example, the legislation requires that local governments be provided customer-specific usage, billing, and load data without the customer's consent to share such sensitive information. In addition, the legislation authorizes a local government to charge enrollees a fee for energy efficiency programs. Such a fee would be

duplicative, because all Maryland electricity customers already fund energy efficiency programs through the EmPower Maryland surcharge.

Senate Bill 315 will not benefit Maryland electric consumers, as it would unfairly auto-enroll customers without their consent, drive uncertainty in SOS prices, and raise various consumer protection concerns. For the above reasons, BGE opposes Senate Bill 315 and respectfully requests an unfavorable committee report.

BGE, headquartered in Baltimore, is Maryland's largest gas and electric utility, delivering power to more than 1.2 million electric customers and more than 655,000 natural gas customers in central Maryland. The company's approximately 3,400 employees are committed to the safe and reliable delivery of gas and electricity, as well as enhanced energy management, conservation, environmental stewardship and community assistance. BGE is a subsidiary of Exelon Corporation (NYSE: EXC), the nation's leading competitive energy provider.