



Takoma Park Mobilization Environment Committee (TPMEC)

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Committee: Finance

Testimony on: SB 315 - “Electric Industry – Community Choice Energy”

Position: Favorable

Hearing Date: February 25, 2020

Thank you for allowing our testimony today. The Takoma Park Mobilization Environment Committee (TPMEC) is a grassroots organization of over 200 members, and a member of two statewide coalitions (Maryland Climate Coalition and the Earth Coalition) as well as the Montgomery County 80 x 27 Coalition (a countywide group focused on helping the county achieve its goal to reduce its greenhouse gas emissions by 80 percent by 2027).

TPMEC strongly urges you to support the Community Choice Energy Act. That Act will build on last year’s Clean Energy Jobs Act and also on the Greenhouse Gas Reduction Act by creating a mechanism for communities to both rapidly transition to renewable energy and to decrease energy costs for Maryland consumers, particularly Maryland’s most vulnerable communities. It does this by allowing local governments to act as aggregators for their communities and to negotiate on behalf of their communities to set rates and determine the source of the energy. CCE enables communities to transition quickly to renewable energy sources, but does not mandate that they do so, because customers are automatically enrolled (with an option to opt out of what the local government has negotiated). It also allows communities to negotiate significantly lower rates for electricity than are currently available to Maryland consumers.

CCE is thus one of the most important tools enabling communities to rapidly and effectively address climate change. It is a “game changer” because it can change the default electricity option to clean renewable energy and it can do so affordably for Maryland communities. The biggest barrier consumers currently face in changing to clean energy is that it is difficult, confusing, and time-consuming to make the switch. Further, by choosing to implement the aggregation authority of CCE, communities can help protect their residents from being targeted by unscrupulous third-party suppliers who target low-income and elderly ratepayers and charge rates higher than the standard offer service (SOS) rates.

There is no other policy or technology that would be as effective as CCE to respond quickly to the climate emergency.

LOWER RATES/EQUITABLE JUSTICE

By aggregating a large number of consumers, local governments can purchase electricity at prices significantly below the Standard Offer Service rate, which is the default rate charged by Maryland's utilities. Among other things, lower energy costs would reduce "heat or eat" conflicts that routinely face hundreds of thousands of Maryland low-income and fixed-income households. According to the EPA, in other states that have already adopted Community Choice Aggregation, electric rate savings for participating communities are as much as 15 to 20%. See, <https://www.epa.gov/greenpower/community-choice-aggregation>. Maryland has the 15th highest electricity rates in the nation, despite having a deregulated market that allows consumers to choose their electricity supplier. Under the legislation, local governments could also negotiate to have all or most of their energy needs met through clean energy sources. Because the costs of solar and wind have dropped by 70 and 90 per cent respectively over the past 10 years and they continue to drop in price, allowing counties the authority to negotiate for such energy on behalf of their communities, they will be allowed to realize significant savings for their communities. See, <https://www.forbes.com/sites/brianmurray1/2019/06/17/the-paradox-of-declining-renewable-costs-and-rising-electricity-prices/#7054881961d5>. The cost of solar storage is also dropping. Plus, consumers still retain their individual choice--if they do not want the plan negotiated on their behalf by their local government, they can opt out of that plan and choose an alternate plan.

Lower Energy Burdens for Low-Income Households

Based on available evidence, low-income households using third-party supply are being disproportionately harmed. (Maryland's deregulated energy market allows consumers to purchase their energy from third-party suppliers who act as middlemen between the utilities and consumers. Third-party suppliers purchase energy from the utilities at a bulk rate and then sell that energy back to consumers.) A report by the Abell Foundation, based on a limited sample in Baltimore (no official agency collects statewide data) found that low-income households on third-party supply applying for assistance with energy costs paid an average of 51 percent over the Standard Offer Service price. (And when their energy comes from natural gas, they pay 78 percent over the Standard Offer Service price.) This is actively and disproportionately harming low-income and fixed-income Marylanders. Further, about a third of energy assistance dollars went to pay for these higher costs rather than reducing energy burdens as they are intended to do. At the present time, just over a quarter of households eligible for assistance actually get it. Statewide, in 2016 assisted households had an average income of \$14,700 and average annual energy bills of \$2,180 --15% of income. Even for them, post-assistance energy burdens remain high – more than 10 percent of household income. The already severe economic stresses faced by low-income households are intensified by high energy bills.

Community Choice Energy will allow Baltimore and other cities as well as counties with high percentages of low-income residents, such as those in Western Maryland and the Eastern Shore, to lower electricity costs and reduce “heat or eat” conflicts. They would also have the salutary effect of making assistance dollars go farther, ultimately providing financial help to more households.

Community Choice Energy Will Create a More Functional Energy Market Place

Maryland’s deregulated electricity market place is dysfunctional for the residential sector as two recent studies -- one by the Office of People’s Counsel (November 2018) and one by the Abell Foundation -- have shown. Between 2014 and 2017, Maryland households on third-party supply paid about \$255 million more in all than they would have on Standard Offer Service. The evidence clearly shows that the individual residential marketplace typically results in higher costs and sometimes much higher costs. In 2017, about 97 percent of households on third-party supply paid more than the utility-offered Standard Offer Service rate. At the same time, the lower costs obtained by large commercial customers who procure third-party supply makes it clear that when parties have the resources to secure and sort through bids, competition works to lower costs.¹ Community Choice Energy can also save Maryland households large sums of money. It is an excellent vehicle to open up the benefits of electricity competition to Maryland households by lowering electricity costs and increasing choice in a meaningful fashion, as other states like Virginia, New Jersey, Ohio, Illinois, and Massachusetts have done. In 1999, when Maryland deregulated the electricity market by passing the Electric Customer Choice and Maryland Competition Act, the intent was to lower rates for all customers. But the opposite happened, because residential customers were denied the ability to leverage their market power to negotiate for lower rates. Community Choice Energy would help remedy that.

Opt-Out Provision Provides Choice

The opt-out provision in the Community Choice Energy Bill is important to ensure that there are options for those who do not want to participate. As we found in Takoma Park, when the community made a significant effort to help residents opt-in to renewable power, 15 % of residents did so. In states with community choice aggregation, the reverse is true in that typically about 15 % of ratepayers opt-out.

Community Choice Energy is good for the climate and good for consumers. For these reasons, we urge you to support Community Choice Energy.

¹ In Maryland, the average residential rate for electricity is 12.84 cents per Kwh; commercial rates in Maryland are on average 10.43 cents per Kwh; and industrial rates are on average 8.09 cents per Kwh.

