

EXELON GENERATION COMPANY, LLC POSITION STATEMENT

HB 561/SB 315
(Charkoudian/Beidle)

Electric Industry - Community Choice Energy

POSITION:

OPPOSE

As Maryland's largest supplier of power, Exelon Generation Company, LLC. ("ExGen") and its affiliated retail energy sales entity Constellation New Energy, LLC, appreciates the opportunity to provide written comment on **HB 561/SB 315 – Electric Industry - Community Choice Energy**, which authorizes a county, a municipality, or a group of counties and/or municipalities to form or join a "community choice aggregator," for the purpose of negotiating the purchase of electric generation services from an electricity supplier or providing electricity from an electric generating facility owned by the aggregator for electric customers.

Much of the support for a Community Choice Energy (CCE) program appears centered on achieving cheaper, cleaner energy solutions. While those are laudable goals – goals that Marylanders and ExGen support – this bill will have a detrimental effect on Maryland energy consumers, and the ability for Maryland as a state to decarbonize the economy in the most cost-effective way. Following the restructuring of Maryland energy markets, customers have benefited from having choices in their electricity decisions. Maryland residential customers have saved \$4.4 billion dollars since 2008 through the ability to access competitive retail markets compared to the price performance of the monopoly states.¹ As drafted, this CCE program holds customers captive and limits choice. This is a step in the wrong direction. Maryland customers are already empowered to choose green, renewable, and carbon-free supply options. Unleashing the power of competitive retail markets to the benefit of consumers, combined with aggressive state level policies to further clean the generation stack (e.g. the Clean Energy Jobs Act) is the most cost effective and efficient way for Maryland to achieve its environmental goals.

Moreover, the Federal Energy Regulatory Commission's (FERC) new Minimum Offer Price Rule (MOPR) requires clean generators to offer into the PJM capacity market as if they are not receiving revenues under any state environmental program. Consequently, state-supported generation resources (specifically those that may be developed as part of a CCE program under this proposed legislation) will be priced out of the market, likely making CCE supply costs *and* compliance with Maryland's clean energy programs more expensive overall for customers. From a practical standpoint, an already existing CCE that includes capacity related costs could prove challenging for Maryland to accommodate along with any future response to the MOPR.

Moreover, generation ownership puts enormous financial risk squarely on the backs of individual, captive customers and, perhaps more acutely, the participating municipalities, increasing costs for local communities and their residents. To the extent customers continue to opt-out of any CCE, the remaining members - who made no active election to join the aggregation - would shoulder an increasing proportion of these generation costs. In this context, the most important part of competitive choice is that neither the individual customer nor their local municipality/county assumes any financial risk associated with the development of generation projects that supply their power.

Just as important, this proposed CCE construct virtually negates all current customer safeguards, including the "anti-slamming" protections the Maryland legislature and the Maryland Public

¹ Source: U.S. Energy Information Administration (EIA)

Service Commission have deployed to ensure customers enter the right electric supply product and contract for their individual needs.

Lastly, CCE's may have an impact on the Standard Offer Service (SOS) load auctions and the customers served by SOS. ExGen has been a regular participant in SOS load auctions both in Maryland and elsewhere. While we would anticipate to continue to participate in upcoming auctions, the CCE market may have the effect of depressing interest and, as a result, participation from other wholesale suppliers. In short, a sizeable Maryland CCE program (i.e. Montgomery County, Baltimore County, etc.) will dramatically shrink the load served by SOS and therefore have the effect of reducing the overall opportunity for wholesale suppliers. At some point, SOS may be too small to drive interest within the wholesale supplier community and the competitiveness of the auctions and the resulting SOS price may be diluted.

In addition, any uncertainty that wholesale suppliers of Maryland's SOS, like ExGen, face because of CCE's may have the effect of increasing risk premiums associated with SOS load auction bids. Hedging large scale migration risks for two-year wholesale supply contracts can add significant cost to suppliers. This is especially true given the CCE construct proposed here, which includes generation related costs. While Maryland Public Service Commission (PSC) review and oversight provide some predictability, the ultimate level of participation of in a given CCE simply cannot be predicted accurately.

These very same concerns regarding the SOS recently surfaced in Massachusetts, where CCEs (municipal aggregations) are allowed and the City of Boston has been contemplating the development of a program covering its 250,000 SOS customers. The local Boston utility performed an analysis of estimated cost impacts to customers resulting from increased bids from wholesale suppliers associated with the uncertainty with the City of Boston's municipal aggregation program. The local utility estimated that for the period of January to June, 2020, supply cost increases for SOS customers due to CCE uncertainty were in the range of about \$3 million. And further, because some retail suppliers and other suppliers of municipal aggregations benchmark their pricing to a certain extent on the SOS price, the local utility estimated that the inflated SOS price resulted in a \$4 million impact over the same period for customers *not* on SOS (i.e. being served by another retailer or municipal aggregation program).

In conclusion, embracing competition not only helps customers avoid risk but also helps to keep prices low. In Maryland from 2008 to 2017, **electricity prices for residential customers increased by just 1.1%**. Over that same period, electricity prices in monopoly states (i.e. where generation is funded by captive customers) for residential customers *increased* by 22.3%.

For the forgoing reasons, ExGen **OPPOSES** HB 561/SB 315. We respectfully request your favorable consideration of our position.