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House Economic Matters Committee
March 2, 2021

House Bill HB1327- Public Utilities -Transitional and Default Electric Service - Implementation

POSITION: FAVORABLE REPORT

Thank you, Chairman Davis and esteemed members of the House Economic Matters Committee, for the opportunity to comment on this important legislation HB1327.

WGL Energy is a retail supplier serving Maryland customers for over 20 years, delivering a full spectrum of customized energy solutions to residential, commercial, and industrial customers, across several utility service territories in the state.

HB1327 brings true electricity choice to Maryland by removing the utility from the Standard Offer Service (SOS) role, enabling Maryland electric customers as the primary beneficiaries. Moreover, HB1327 allows more options for consumer shopping, including a wider range of PSC licensed retail suppliers competing on service and price, adds new consumer protections from high-pressure sales tactics and unfair contracts, advances clean energy and helps lower-income families and small businesses.

The proposed exit of the utility SOS model in HB1327 is not a new concept, having been successfully implemented and executed for many years in Texas and Georgia (on the gas side). However, in light of the unfortunate Texas energy issues that occurred during the polar vortex week of March 15, 2021, initial assumptions have been drawn, inaccurately connecting the state's retail service market as one of the causes for the physical electricity blackouts and generation units tripping offline. This is not the case.

The issue lies with the Texas structure of the wholesale market. Texas' ERCOT market is an energy-only market, paying generators only when generators provide power on a day-to-day basis. It is also the only market not overseen by FERC. In contrast, our PJM market maintains a forward capacity market focusing on grid reliability, whereby the capacity needed to meet peak-demand is procured three years in advance of its delivery day. The ERCOT market does not have this function in place, resulting in a lack of preparedness for severe weather spikes.

Some retail suppliers in Texas were providing a wholesale pass through product to their residential customers. This has resulted in extremely high charges for these customers and clearly these products are not appropriate for residential and small commercial customers. These products are already unworkable in Maryland with the customer notice provisions



required for variable rate changes. Further limitations can be pursued if it is desired to protect residential consumers from similar wholesale pass through contracts.

House Bill 1327 is focused on significantly strengthening the retail energy market in Maryland where a lack of consumer awareness and confusion on energy choice remains very high, even though energy choice was enacted into law over twenty years ago. The same law obligated the utility to only temporarily provide SOS. Fast forward to today, electricity supply statewide continues to be dominated by the utilities. Utilities continue to act as gatekeepers to the marketplace and many utility processes continue to be geared to SOS to support the SOS as the “preferred” service and suppliers are viewed as an “exception.”

Customers remain unaware of the numerous options available to shop for alternative energy supply with higher levels of renewable supply and other value-added products and services that are currently available.

This current structure has proven to be unworkable.

With the utility removed from the SOS role as proposed in this bill and focused on its core competency of ensuring reliability of delivery, customers will not have the confusion they have today that often results in complaints. Supplier marketing and sales efforts will change if the market transitions to just suppliers, such as with the removal of residential door-to-door sales as proposed in this bill. In combination with consumer education efforts, consumers will be better informed of their energy choices.

Establishing a sustainable competitive retail electric supply market is the most effective means of assuring Maryland customers the availability of adequate electric supply service at the most economically efficient prices. This most desirable model will not be achieved until the present provision of utility SOS is removed.

We ask the Committee for a favorable report of HB1327.

Thank you for your consideration.

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