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Editor
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9030 Comprint Court
Gaithersburg, Maryland 20877

Re: Consumer Education for Energy Supplier Offers
"Letter intended for publication"

I read with interest your recent articles about consumer education and electricity prices (Barry Rascovar and Margie Hyslop, June 18, 2010). I agree that consumer information is important. Therefore, for the past several years, the Office of People's Counsel has provided price comparison information and consumer guidelines for energy supplier marketing and contracting. These are available on OPC's website (www.opc.state.md.us). We have identified certain problems with the current method of comparing utility SOS prices with supplier prices, and have offered recommended changes to the Public Service Commission. We also have observed that the number of active suppliers serving residential customers has not really increased, while the number of brokers and marketing agents has multiplied. This does nothing to benefit residential customers in terms of providing additional supplier options.

OPC has been tracking utility and supplier gas and electricity prices over the past three years. For electricity customers, the utility supply prices (SOS) remained consistently lower than supplier prices until March 2009; since then the situation has been reversed. With the decline in SOS prices as of June 1, 2010, and a further decline in October, we may see a reversal of this trend, or certainly a narrowing of the price gap. With gas prices, there has been more fluctuation in the price comparisons, but the utility gas commodity price frequently is less than the supplier price. None of this is unexpected, and in the case of electricity prices, reflects fluctuations in the wholesale electricity prices in the PJM region, where Maryland electricity is bought and sold. Furthermore, supplier price comparisons do not take into account cancellation fees, which can range upwards of several hundred dollars for 2 or 3 year contracts.

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However, the current focus on “consumer education” misses the mark when it comes to meeting the needs of residential energy consumers. For the past several years, both before the Public Service Commission and the General Assembly, I have urged a change in the current method for procuring electricity to meet the immediate and long-term needs of our residential consumers. While we have seen an increase in the number of residential customers served by energy suppliers, the fact is that 94% of these customers statewide purchase electricity from their utilities. The PSC and these utilities have a responsibility under the law to provide electricity at prices that balance the “best” price with reduced price volatility. (Gas utilities, which serve 90% of residential customers statewide, have a responsibility to follow reasonable purchasing practices.) With the benefit of expert analysis, OPC has concluded that residential consumers would benefit from the following:

- A diverse portfolio of energy supply and demand resources to lower the cost and lessen the risks of price swings
- The inclusion of clean resources, including energy efficiency and renewable resources, in the portfolio
- Reduced reliance on spot market and short term purchases, which increase the likelihood of price volatility

OPC continues to urge the PSC to follow through with long-range procurement plans for residential consumers who receive electricity service from their utilities. At the same time, we also will continue to provide information to consumers to help navigate the world of supplier offers and contract terms.

Sincerely,

/electronic signature/

Paula M. Carmody
People’s Counsel

PMC/mcm