

## How Maryland Consumers Will Benefit From The Community Choice Energy Act

Maryland has the 13th highest electricity rates in the Nation, despite having a deregulated market that allows consumers to choose their electricity producer. A bill being introduced by Maryland District 20 Delegate Lorig Charkoudian, the Community Choice Energy Act, aims to reduce those costs significantly by allowing local governments to negotiate rates and energy sources on behalf of their residents, just as businesses are already empowered to do for themselves. Under the legislation, local governments could also negotiate to have all or most of their energy needs be met from clean energy sources. 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.

### **The benefits of the Community Choice Energy Act are many, including:**

- **Lower energy costs:** By aggregating a large number of consumers, local governments could purchase electricity at significantly below the Standard Offer Service rate, which is the default rate charged by Maryland's utilities (under the supervision of the Public Service Commission). Lowering electricity costs by just one cent per kilowatt-hour would save a typical Maryland household \$10 per month. Among other things, lower energy costs would reduce "heat or eat" conflicts that routinely face hundreds of thousands of Maryland low-income households.
- **Lower energy burdens for low-income households:** To all available evidence, low-income households on third party supply are being disproportionately harmed by third party supply. The Abell Foundation Report showed, based on a limited sample in Baltimore (no official agency collects statewide data) that low-income households on third-party applying for assistance paid an average of 51% over the Standard Offer Service price for electricity. This is actively harming low-income and vulnerable populations. 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. 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, reduce "heat or eat" conflicts. They would also have the salutary effect of making assistance dollars go farther enabling help to more households. At the present time just over a quarter of households eligible for assistance actually get it. Even for them post-assistance energy burdens remain high – more than 10 percent.
- **Low and moderate income household renewable energy access:** It is no secret that the obstacles for low-income households to access renewable energy are high. Participation is predictably low. Maryland's pilot community solar legislation is a start. Community Choice Energy would enable Maryland local governments to individually or together acquire renewable energy on a large-enough scale to lower electricity costs could be lower than Standard Offer Service. Opening this avenue for communities would allow low-income households and all others to acquire renewable energy at lower cost than otherwise, should they so choose.
- **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 points in the direction that the individual residential market place 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. It can also save Maryland households large sums of money. Community Choice Energy 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, and Massachusetts have done. This was also transparently the intent of the 1999 Electric Customer Choice and Maryland Competition Act, which sought to “provide economic benefits to all customer classes.” That intent is not now being met for the residential sector. Community Choice Energy is a critical tool that 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.

The Community Choice Energy Act deserves the support of all Marylanders. Join us in fighting to empower local governments to lower energy costs, stimulate the Maryland economy and provide benefits to low-income households on a scale that little else in the energy sector can do. And all this can be done at essentially no significant cost to the Maryland Treasury.

Information in this document based on research by the INSTITUTE FOR ENERGY AND ENVIRONMENTAL RESEARCH P.O. BOX 5324, TAKOMA PARK, MARYLAND 20913 PHONE: 301-509-6843 Email: [info@ieer.org](mailto:info@ieer.org) Website: [www.ieer.org](http://www.ieer.org)