



Retail Energy Supply Association

Re-Regulating Maryland's Electricity Will Cost Maryland Customers More Money –Not Lower their Energy Bills

February 19, 2009 - Annapolis, MD -- The reality of Senators Pipkin and Rosapepe's proposal is that it will actually put Maryland's electricity customers at greater risk of continually rising bills not reduce their energy costs. Here's what the Maryland Public Service Commission had to say about re-regulation in their December 1, 2008 report to the legislature:

“We cannot, however, recommend that the General Assembly pursue full re-regulation—the magnitude and uncertainty of the benefits, relative to the high cost of achieving the outcome do not clearly warrant the return to rate base regulation. Moreover, there are a number of other potentially serious risk factors that could create unanticipated, adverse consequences for Maryland’s ratepayers.”

“...re-regulating the existing generation plants in the Maryland portion of the Pepco service territory would mean re-acquiring an aging, largely coal-based fleet that will need costly maintenance, ongoing environmental upgrades if state or Federal environmental regulations tighten and could become technologically obsolete.”

“...we conclude that reacquiring these plants and having ratepayers assume the risks of owning and operating them are unlikely to be worth the potentially insurmountable expense, probable litigation and likely disruption to Maryland’s electricity markets.”

What does re-regulation mean for Maryland customers? If **the Maryland Legislature re-regulates** the electric industry, even only partially, either by requiring long-term contracts or requiring utilities to build new generation, **ratepayers get stuck with all the risks and none of the rewards** that competition has brought such as: more efficient power plants (which consume less fuel, have lower emissions, and are less costly to run), downward pressure on prices, new technology, new green energy options, and customer choice. **Regulated markets** are by their very nature inefficient and **not cost conscious**.

History has proven that it is nearly impossible for anyone to construct generation on a schedule to precisely match consumer demands for electricity. But, **when ratepayers are forced to bear this risk, ratepayers are the ones who pay when mistakes are made, such as when too much generation is built or when cost overruns occur** – examples of which abound over the course of the last several decades in regulated markets.

RESA agrees with the public service commission consultants who caution that “**a return to full regulation of Maryland’s generation is fraught with risks.**” “We urge the public not to be misled to the conclusion that re-regulation is the answer,” said Leah Gibbons, Maryland Chair of RESA. “There is no magic bullet to lowering electricity prices. Rather than turning back the clock to re-regulate the supply of electricity, Maryland policy makers need to make a commitment to get the competitive markets working properly and bring choice to more of Maryland’s customers.”

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About RESA

RESA is a national coalition of energy suppliers dedicated to ensuring competitive retail markets. RESA members are devoted to working with all stakeholders to promote vibrant and sustainable competitive retail energy markets for residential, commercial and industrial consumers. For more information on RESA visit, <http://www.resausa.org/>

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