

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 786
Finance

(Senator Ramirez, *et al.*)

Electricity - Community Renewable Energy Generating System - Pilot Program

This bill establishes a three-year Pilot Program on Community Renewable Energy Generating Systems administered by the Public Service Commission (PSC). PSC must adhere to specified guidelines in conducting the program and adopt specified regulations. The bill establishes specified notification and reporting requirements for PSC and a reporting requirement for the Maryland Energy Administration (MEA).

Fiscal Summary

State Effect: PSC can implement the bill, including any necessary working group discussions and rulemakings to administer the pilot program, with existing budgeted resources. MEA can submit the required report using existing budgeted resources.

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary: A “community renewable energy generating system” means a renewable energy system that (1) generates electricity from biomass, gas produced from the anaerobic decomposition of animal waste, including poultry waste, or the gasification of organic matter, solar, wind, or moving water; (2) is located in the same electric company service territory as its subscribers; (3) is attached to the electric meter of a subscriber or is a separate facility with its own electric meter; (4) credits its generated electricity to the bill of the subscribers to the facility; (5) has at least two subscribers; (6) has a generating capacity of up to two megawatts; and (7) may be owned by any person, including a

subscriber organization, an electric company, or an electricity supplier. It is *not* an electric company, an electric supplier, or a generating station.

A “subscriber” means a retail customer of an electric company who holds a subscription to a community renewable energy generating system and has identified one or more individual meters or accounts to which the subscription must be attributed. A “subscriber organization” means a person that owns or operates a community renewable energy generating system or the subscribers of community renewable energy generating system. “Unsubscribed energy” means any community renewable energy generating system output that is not allocated to a subscriber.

PSC must adhere to the following conditions in structuring the pilot program:

- electricity generated under the pilot program is limited to 15, 30, and 50 megawatts during the first, second, and third years, respectively;
- all rate classes must be allowed to participate in the pilot program;
- subscribers served by electric standard offer service and electricity suppliers may hold subscriptions to the same community renewable energy generating system;
- a subscriber organization must determine how to allocate subscriptions and notify the electric company when applicable;
- a subscriber’s share of the electricity generated by a community renewable energy generating system must be determined by multiplying an offset rate by the energy generated by the system during the current billing cycle and attributed to the subscriber’s subscription;
- a subscriber’s monthly bill must be offset by less than the customer charge determined by a specified calculation;
- net excess generation credits must be carried forward for up to 12 months, after which the electric company must pay the subscriber any remaining balance;
- the dollar value of accrued net excess generation is calculated as specified, subject to specified conditions for unknown costs;
- a subscriber may not receive a credit for net excess generation of more than 120% of the subscriber’s baseline annual usage;
- a subscriber with a community renewable energy generating system attached to the subscriber’s electric meter receives net energy metering for the subscription at the rate established in current law, up to 120% of the subscriber’s annual usage;
- any unsubscribed energy must be purchased under the electric company’s process for purchasing the output from qualifying facilities at the commodity energy supply rate;
- all costs associated with interconnection are the responsibility of the subscriber organization;

- a subscriber organization may contract with a third party for the third party to finance, build, own, or operate a community renewable energy generating system;
- an electric company may assess a fair and reasonable fee, subject to PSC approval, to administer the pilot program; and
- a municipal utility or cooperative utility may participate in the pilot program.

A contract entered into during the pilot program must remain in effect for the duration of the contract, and neither PSC nor the electric company may change the terms of the contract. The bill specifies the treatment of community renewable energy generating systems and subscriber organizations after the pilot program terminates.

An electric company may submit a petition to PSC to own and operate a community renewable energy generating system, subject to specified conditions. An electric company may sell unsubscribed energy, capacity, and ancillary services produced by the electric company's community renewable energy generating system into the electricity market.

The pilot program begins either when the first petition is submitted or six months after PSC adopts specified regulations. The bill establishes provisions governing PSC approval of petitions.

By April 1, 2015, PSC must adopt regulations to implement the bill, including regulations for (1) consumer protection; (2) a protocol for electric companies, electricity suppliers, and subscriber organizations to communicate necessary information to calculate and provide the monthly electric bill credits and yearly net excess generation payments required under the bill; and (3) a protocol for a subscriber organization to coordinate with an electric company for the interconnection and commencement of operations of a community renewable energy generating system.

MEA, in consultation with PSC, must report to the General Assembly by December 13, 2016, on specified information related to the implementation of community renewable energy generating systems. Required information for the report includes:

- a tariff structure for customer-sited, aggregate, and community renewable energy metering that allows an electric company to recover reasonable distribution costs and administrative expenses while encouraging in-state distributed generation by taking into account specified benefits;
- an appropriate credit mechanism and operational structure that allows a community renewable energy generating system to minimize administrative costs to an electric company, electric supplier, or subscriber organization;

- a process to allow an electric company to adjust their standard offer service procurement in response to community renewable energy generating system output;
- whether a community renewable energy generating system and its subscribers should be compensated for avoided transmission and distribution costs;
- the impact of the pilot program on residential ratepayers;
- the costs and benefits of different community renewable energy generating system business models;
- the pilot program's success in attracting low-income and moderate-income residential electric customers;
- the implications of making the pilot program permanent; and
- any additional policy considerations MEA considers appropriate.

PSC must notify the General Assembly and the Department of Legislative Services when the pilot program begins. The pilot program must terminate three years after it commences.

Current Law: Net energy metering is the measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by an eligible customer-generator and fed back to the electric company over the eligible customer-generator's billing period. An "eligible customer-generator" is a customer that owns and operates, or leases and operates, a biomass, solar, fuel cell, wind, or micro-combined heat and power electric generating facility located on the customer's premises or contiguous property, interconnected and operated in parallel with an electric company's transmission and distribution facilities, and intended primarily to offset all or part of the customer's own electricity requirements. The generating capacity of an eligible customer-generator for net metering may not exceed two megawatts.

An eligible customer-generator may accrue net excess generation for a period (1) of up to one year and (2) that ends with the billing cycle that is complete immediately prior to the end of April of each year. The electric company must carry forward net excess generation until (1) the eligible customer-generator's consumption of electricity from the grid eliminates the net excess generation or (2) the accrual period expires.

Generally, the dollar value of net excess generation is equal to the generation or commodity portion of the rate that the eligible customer-generator would have been charged for the electricity multiplied by the number of kilowatt-hours of net excess generation. At the end of the accrual period ending in April each year, the electric company must pay to each eligible customer-generator the dollar value for any accrued net excess generation remaining.

Pursuant to PSC regulations, certain eligible customer-generators can request meter aggregation from an electric utility for the purposes of net metering, including an eligible customer-generator using electrical service for agriculture and an eligible customer-generator that is a not-for-profit organization or business. If the eligible customer-generator's electrical services are not located close enough to physically interconnect metered service, virtual meter aggregation is available, where the electric company accounts for the usage and excess generation of all applicable accounts to calculate the customer's excess generation for a billing period.

Background: Data from PSC's most recent *Report on the Status of Net Energy Metering in the State of Maryland* (September 2013) is provided in **Exhibit 1**. As of June 30, 2013, the amount of net energy metered capacity increased over the prior year from 58,514 kilowatts to 101,692 kilowatts. This represents only 6.6% of the current statewide limit of 1,500 megawatts for total net energy metering capacity.

Meter aggregation for the purposes of net metering was first implemented by PSC as a pilot program, but is now being made more widely available. PSC's September 2013 report indicated that as of June 30, 2013, there were 21 installed meter aggregation projects and 12 applications pending.

In response to an April 2012 request from the Senate Finance Committee, PSC ordered its stakeholder Net Metering Working Group to evaluate whether a net energy metering program for "community energy-generating facilities" as specified in SB 595 of 2012 (a concept similar to the community renewable energy generating systems in this bill) could be a workable net energy metering program in the State. A November 2012 letter from PSC to the committee indicated that, although the working group concluded that such a program could be workable in Maryland, significant policy issues remained, and PSC had not yet evaluated, resolved, or decided any of the disputed issues at that point.

Exhibit 1
Net Energy Metered Installed Capacity in Maryland
June 30, 2013 (Kilowatts)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Solar	321	2,242	24,628	30,905	55,856	100,062
Wind	42	211	556	514	1,278	1,310
Biomass	-	-	30	320	1,380	320
Total	364	2,453	25,214	31,739	58,514	101,692

Note: Numbers may not sum to total due to rounding.

Source: Public Service Commission

Additional Information

Prior Introductions: None.

Cross File: HB 1192 (Delegate Hucker, *et al.*) - Economic Matters.

Information Source(s): Public Service Commission, Maryland Energy Administration, Office of People's Counsel, City of Havre de Grace, Department of Legislative Services

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