

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 143

(Senator Feldman)

Education, Energy, and the Environment

Economic Matters

**Electricity - Net Energy Metering and Virtual Net Energy Metering - Accrual of
Net Excess Generation (Net Metering Flexibility Act)**

This bill authorizes an eligible customer-generator under the State's net metering law to accrue net excess generation for an indefinite period, instead of only for a 12-month period, subject to specified requirements. An electric company must pay the customer-generator for any indefinitely accrued net excess generation within 15 days of the close of a customer's account; the Public Service Commission (PSC) must establish a method for determining the value of such generation. The authorization does not apply to a customer-generator served by a municipal electric utility or an electric cooperative. Subscribers under the Community Solar Energy Generating System Pilot Program are likewise authorized to accrue *virtual* net excess generation in the same manner as described above, and the credit limitation of 200% of baseline energy usage is removed.

Fiscal Summary

State Effect: PSC can handle the bill's requirements with existing budgeted resources. Revenues are not affected.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Payment for Excess Generation

Generally, 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. An electric company must also pay the dollar value for any accrued net excess generation within 15 days of customer account closure.

Certain customer-generators in an electric cooperative service territory may elect to be paid for net excess generation on a monthly basis.

Net Metering – Generally

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. PSC must require electric utilities to develop and make net metering tariffs available to eligible customer-generators. Generally, the generating capacity of an eligible customer-generator for net metering may be up to two megawatts. Eligible energy sources are solar, wind, biomass, micro combined heat and power, fuel cell, and certain types of hydroelectric. There is a statewide net-metered capacity limit of 3,000 megawatts.

Community Solar Energy Generating Systems

Chapters 346 and 347 of 2015 required PSC to establish a three-year Community Solar Energy Generating System Pilot Program, subject to specified conditions. Chapters 461 and 462 of 2019 extended the pilot program through December 31, 2024.

A community solar energy generating system, as defined in statute, is a system that, in addition to other requirements:

- has a generating capacity that does not exceed five megawatts as measured by the alternating current rating of the system's inverter;
- has at least two subscribers, but no limit to the maximum number of subscribers; and
- credits its generated electricity, or the value of its generated electricity, to the bills of the subscribers to that system through virtual net energy metering.

Subscribers must be in the same electric service territory as the system. Investor-owned electric companies must participate in the program; large electric cooperatives and municipal utilities may choose to participate. PSC regulations increase authorized capacity additions each year.

A subscriber may not receive credit for virtual net excess generation that exceeds 200% of the subscriber's baseline annual usage.

Small Business Effect: For the 12-month period ending April 30, 2022, commercial net-metered customers were paid \$3.0 million for excess generation. Some of these commercial customers are likely small businesses and have the option under the bill to carry forward excess generation indefinitely and apply it against future energy usage. This option may be meaningful for such small businesses – particularly in an environment of rising energy costs. The effect on rates more broadly from such a change is likely minimal.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 68 (Delegate Korman) - Economic Matters.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Legislative Services

Fiscal Note History:
rh/lgc

First Reader - January 18, 2023
Third Reader - March 21, 2023
Revised - Amendment(s) - March 21, 2023
Enrolled - April 10, 2023
Revised - Amendment(s) - April 10, 2023
Revised - Clarification - April 10, 2023

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510