

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1419
Economic Matters

(Delegate Fraser-Hidalgo)

Education, Energy, and the Environment

Electric Distribution System Support Services - Energy Storage and Data Use

This bill alters the Distributed Renewable Integration and Vehicle Electrification (DRIVE) Act as it pertains to an electric distribution system support services program developed by the Public Service Commission (PSC), as specified. Additionally, by January 1, 2026, PSC must evaluate programs enacted in other states to facilitate the installation of energy storage within homes and businesses. After completing the evaluation, PSC must coordinate with electric companies and other stakeholders to design, by June 1, 2026, programs to advance and expand home- and business-sited energy storage in the State.

Fiscal Summary

State Effect: Special fund expenditures for PSC increase by approximately \$200,000 in FY 2026 to conduct the required evaluation. Special fund revenues increase correspondingly from assessments imposed on public service companies. The bill is not anticipated to otherwise materially affect State finances or operations.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$200,000	\$0	\$0	\$0	\$0
SF Expenditure	\$200,000	\$0	\$0	\$0	\$0
Net Effect	\$0	\$0	\$0	\$0	\$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

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

Small Business Effect: Minimal.

Analysis

Bill Summary: DRIVE Act provisions requiring PSC to develop a program for each investor-owned electric company to establish a pilot program or temporary tariff to compensate owners and aggregators of distributed energy resources for electric distribution system support services through an incentive mechanism determined by PSC are modified by:

- specifying that a person or company participating as an aggregator of distributed energy resources in a pilot program approved under the Act may not be considered an electric company or electricity supplier solely because of the person's or company's participation in the program;
- specifying that the provisions may not be construed to prohibit an electric company, private entity, or aggregator of distributed energy resources from offering energy storage to residential customers separate from a pilot program or temporary tariff; and
- requiring, on request of an electric company, PSC to authorize an electric company to use usage and production data collected from customer-owned distributed energy resources for the administration of a pilot program or temporary tariff.

Current Law:

Distributed Renewable Integration and Vehicle Electrification Act

Among other things, Chapters 475 and 476 of 2024 (the DRIVE Act) established incentives and programs for distributed energy resources and electric distribution system support services. Under the Acts, "distributed energy resource" means an energy resource located on a customer's premises that (1) produces or stores electricity or (2) modifies the timing or amount of the customer's electricity consumption. "Electric distribution system support services" means the dispatch and control of a distributed energy resource to provide services that contribute to the efficient and reliable operation of the electric distribution system by an electric company or an aggregator acting at the direction of an electric company.

Electric Distribution System Support Services Program

Under the Acts, PSC must develop a program for each investor-owned electric company to establish a pilot program or temporary tariff to compensate owners and aggregators of distributed energy resources for electric distribution system support services through an incentive mechanism determined by PSC, as specified.

By July 1, 2025, each investor-owned electric company must submit a pilot program or temporary tariff to PSC for approval, subject to specified requirements for performance and compensation. PSC must approve, deny, or approve with amendments the pilot program or temporary tariff in an expedited manner. A municipal electric utility or electric cooperative may also establish a pilot program, temporary tariff, or performance mechanism under the program, subject to the same requirements as investor owned-electric companies. A pilot program may be transitioned to a permanent program under specified conditions.

The Acts do not directly address whether or not an electric company, private entity, or aggregator of distributed energy resources may offer energy storage to residential customers separate from a pilot program or temporary tariff.

Cost Recovery

An investor-owned electric company may recover all reasonable costs incurred in (1) participating in and administering an electric distribution system support services program and (2) offering an upfront incentive or rebate under the Acts. To the extent feasible, the costs must be recovered by the investor-owned electric company within the calendar year in which those costs were incurred. Notwithstanding any provision of the Acts, an investor-owned electric company may pursue and use a performance incentive mechanism to cover the cost of using distributed energy resources or an aggregator of distributed resources under the Acts.

Aggregators and Electricity Suppliers

“Electricity supplier” means a person who sells electricity, electricity supply services, competitive billing services, or competitive metering services or a person who purchases, brokers, arranges, or markets electricity or electricity supply services for sale to a retail electric customer. It includes an electric company, *an aggregator*, a broker, and a marketer of electricity. It does not include specified persons who supply electricity and electricity supply services solely to occupants of a building for use by the occupants, a person who generates on-site generated electricity, or a person that owns or operates equipment used for charging electric vehicles, as specified.

“Aggregator” means an entity or an individual that acts on behalf of a customer to purchase electricity or gas. It does not include (1) an entity or individual that purchases electricity or gas only for its own use or for the use of its subsidiaries or affiliates; (2) a municipal electric utility or a municipal gas utility serving only in its distribution territory; or (3) a combination of governmental units that purchases electricity or gas for use by the governmental units.

State Fiscal Effect: PSC advises that the evaluation required by the bill is outside of the negotiated scope of work with the existing consultant assisting with the establishment of an electric distribution system support services pilot program. Therefore, PSC either needs to hire an additional consultant or modify the existing contract. In either case, PSC estimates the additional cost is approximately \$200,000. PSC must use the information from the evaluation by June 1, 2026; this estimate assumes costs are incurred in fiscal 2026.

Accordingly, special fund expenditures for PSC increase by approximately \$200,000 in fiscal 2026 for consultants to conduct the required evaluation. Generally, PSC is funded through an assessment on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

Additional Information

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

Designated Cross File: None.

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

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