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PUBLIC SERVICE COMMISSION

March 10, 2022

Chair C.T. Wilson
Economic Matters Committee, Room 231
House Office Building
Annapolis, Maryland 21401

RE: INFORMATION – HB 1112 – Electricity – Net Energy Metering - Generation

Dear Chair Wilson and Committee Members:

HB 1112 intends to resolve a utility billing feature of some electric companies, which prevents a small number of customers on budget billing from receiving Community Solar credits on a *monthly* basis. Despite the good intention, HB 1112 may not achieve the intended result while simultaneously creating other negative consequences for the Community Solar Pilot program and its stakeholders.¹ In particular, the proposed language amends a portion of the PUA which concerns rooftop net metering rather than the law which establishes the Community Solar Pilot program. **While seemingly simple on its face, this issue is very complex because each utility implements the Pilot differently, in accordance with the flexibility allowed in law and regulation. HB 1112 would adversely affect overlapping programs and utility practices that will impact the Pilot's outcomes.**

HB 1112 would amend PUA §7-306 by adding a new definition of a “generation credit” that would be calculated based on **monthly** excess generation, rather than on the **annual** excess generation. The new definition effectively reduces the value of monthly excess energy to over half of the current full retail value because “excess generation” only reflects the value of production or commodity energy.² Currently, net-metering customers enjoy the full value of commodity, transmission, and distribution of electricity because the excess monthly energy is

¹ The issue of energy assistance, budget billing, and related issues was taken up by a subgroup of the Net Metering Working Group in the second half of 2021 led by the Maryland Energy Administration, however, a resolution of issues was not determined, and no proposal was taken to the main working group for discussion through the end of the year.

² PUA §7-306(f)(5)(iii)(1). The dollar value of net excess generation shall be equal to the generation or commodity portion of the rate that the eligible customer-generator would have been charged by the electric company averaged over the previous 12-month period ending with the billing cycle that is complete immediately prior to the end of April multiplied by the number of kilowatt-hours of net excess generation.

carried over to the following month as a kilowatt-hour (“kWh”) value until the customer uses up the excess. On an annual basis, the utility pays the customer the value of any excess generation and reset the customer's annual accrual period with a zero balance.³

As such, net metering customers who have excess generation in any given month do not receive a dollar credit on that month’s bill.⁴ Rather, any excess generation is carried forward to a future month until it is used by the customer. Currently, in April of each year, the statutory accrual period ends resulting in a yearly true-up, where the utility converts the excess generation into a dollar credit.⁵ Each utility would likely incur additional programming costs to perform a monthly payout. Those costs would ultimately be borne by ratepayers.

The proposed changes, if enacted, would require electric utility billing changes, increase costs to the utilities, and adversely impact all net metering customers, as they will lose the ability to carry-over excess generation each month.

Specifically, under the current method, some customers may have bills that are typically lower during some months of the year since the current practice of carrying-over excess generation allows customers to avoid making large payments for months at a time. However, if credits are required to be paid out every month, some customers would likely have to pay higher rates during some months rather than being able to use carried-over excess generation credits. The changes associated with HB 1112 has the potential to confuse existing Community Solar customers and make it difficult for them to predict their energy costs.

Finally, the State is currently in Year 5 of the 7-year CSEGS Pilot Program. The Commission will complete its statutorily-mandated report on program findings by July 2022. Before codifying significant changes to Maryland’s CSEGS Pilot and net-metering program, the Commission recommends time to conduct a thorough review of these technical issues with all working group stakeholders.

The Commission appreciates the opportunity to provide information on HB 1112. Please contact Lisa Smith, Director of Legislative Affairs, at (410) 336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman

³ PUA §7-306(f)(5)(ii).

⁴ An exception is made for electric cooperatives, whose customers may choose to be paid excess generation on a monthly basis. See PUA §7-306(f)(7).

⁵ This is outlined in COMAR 20.50.10.05 and is calculated using the net excess kWh generated multiplied by the average generation or commodity rate that the customer would have been charged over the previous 12 months.