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**Committee: Education, Energy, and the Environment**

**Testimony on: SB143 “Net Energy Metering – Accrual of Net Excess Generation (Net Metering Flexibility Act)”**

**Position: Support**

**Hearing Date: January 31, 2023**

The Maryland Chapter of the Sierra Club supports SB143. This legislation will increase the opportunity for utility customers to benefit from a system prescribed by state law known as net metering.

Net metering utility customers are both connected to the grid to receive electricity from a utility or other electricity supplier and generate electricity at their home, typically by having solar panels on their roof. This home-generated electricity is primarily intended for their own use. However, whenever these customers generate more electricity than they use, the excess electricity is fed back into the grid, and the customer is financially compensated by their electricity supplier. In other words, their energy generation is netted against their energy use, and any excess generation is made available to other utility customers on the grid. This system is one of the ways in which state policy supports the generation of clean electricity in Maryland which, in turn, is necessary for our state to meet its aggressive greenhouse-gas reduction goals.

Currently, net metering is calculated on a monthly basis, and customers receive credits against their electricity bill for any excess electricity they feed into the grid. State law specifies that unused credits in any month are carried over to the next month and accumulate during the year. However, in April of every year the accumulated unused credits are zeroed out, and customers receive monetary compensation for their unused credits which is worth less than if the credits had been used to reduce a previous electricity bill.

This system unintentionally can disadvantage many net metering customers. This is because many net metering customers want to maximize their number of available credits in the summer, which is when they have their highest peak of electricity use (because of air conditioning), and are not generating any excess electricity to acquire credits. At other times, when their electricity use is lower, they are more likely to generate credits, which may end up being used at a later time. In other words, by zeroing credits out in April, net metering customers may enter into summer having had an incomplete opportunity to accumulate credits, and then, after summer, when more credits are obtained, any unused credits will be zeroed out in April (and so will not be available for summer), with the specified lower level of compensation.

This bill will amend the April zero-out date to instead allow net metering customers to choose between two alternative compensation systems. First, customers may continue with the existing annual credits system but choose to have the zero-out date be in August, which may allow them to make better use of their credits. Alternatively, customers may allow their excess credits to

Founded in 1892, the Sierra Club is America’s oldest and largest grassroots environmental organization. The Maryland Chapter has over 70,000 members and supporters, and the Sierra Club nationwide has over 800,000 members and nearly four million supporters.

accumulate indefinitely (year-to-year), with no annual zeroing out, provided the customers then forfeit all excess generation credits upon closing their electricity account.

Each of these proposed options is potentially advantageous for net metering customers. In particular, the option of indefinitely carrying forward excess credits will act like a bank account – excess generation amounts will ebb and flow as the home electricity generation alternately exceeds and later falls short of the customer’s offtake of electricity from the grid. The flexibility afforded by this option may be especially advantageous as customers vary their electricity use pattern, for example by increasing electrification of their homes (switching from gas appliances and home heating) or buying an electric vehicle and charging it at home.

This latter point leads to one small suggestion. As we read this legislation, it appears that net metering customers are limited to choosing only once between the two options, i.e., after the initial choice is made, they cannot subsequently switch to the other option. However, customers who currently will benefit from the August cycle option might in the future find their electricity use pattern has changed (because of electrification and/or home charging an electric vehicle) such that the indefinite option becomes more advantageous.

To account for this potential shift in electricity use, it would be appropriate to amend the legislation to allow net metering customers the ability to switch options, perhaps limited to switching only once. This flexibility will further benefit net metering customers, and reflects the fact that federal and state policy now is incentivizing home electrification and electric vehicle use to address climate change, and so including the ability to switch options is in accord with Maryland’s climate policies.

In summary, we find that this legislation will increase the value proposition for customers who receive electricity from a net metered generation source, with no significant cost to other parties including ratepayers. We therefore urge a favorable report on SB143.

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