Department of Legislative Services

Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1340 (Delegate Boteler, *et al.*)
Economic Matters

Energy Companies - Net Energy Metering

This bill changes limits placed on eligible customer-generators of electricity from biomass, solar, or wind power. The bill repeals the capacity limit on the net generating program (1,500 megawatts) and provides instead that a net energy metering contract between a customer-generator and an electric company must require the electric company to purchase all excess energy generated by the eligible customer-generator during each monthly cycle.

The time limit during which an eligible customer-generator may carry over a credit for excess energy generated is increased from 12 to 24 months. Also, if a generation credit remains on the account of a customer-generator for more than 24 consecutive months, the electric company must reimburse the customer-generator for the amount of the credit.

Fiscal Summary

State Effect: Potential minimal decrease in the electric tax surcharge and sales tax revenues. No effect on expenditures.

Local Effect: None.

Small Business Effect: Overall minimal impact; however, potential meaningful impact for a limited number of eligible customer-generators that net meter.

Analysis

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 billing period. An "eligible customer-generator" means a customer that owns and operates a biomass, solar, or wind electrical generating facility that • is located on the customer's premises; • is interconnected and operated in parallel with an electric company's transmission and distribution facilities; and • is intended primarily to offset all or part of the customer's own electricity requirements.

An eligible customer is given credit for the electricity it generates on its monthly bill from the electric company and is billed for the net energy supplied by the electric company. A customer may carry a generation credit if the customer produces more electricity than is used. A generation credit can be held for up to 12 months, but the electric company is not required to pay if the customer's electric generation exceeds the electricity supplied by the grid. The maximum capacity of an electric generating system used for net metering may not exceed 2 megawatts. An eligible customer owns and has title to all renewable energy attributes or renewable energy credits associated with the energy produced by its electric generating system.

Background: Chapter 484 of 1997 established solar net energy metering to • encourage private investment in renewable energy resources; • stimulate in-state economic growth; • enhance continued diversification of the State's energy resource mix; and • reduce costs of interconnection and administration. While the rated generating capacity for the program is capped in statute at 1,500 megawatts, the Public Service Commission reports that the program generates substantially less than one megawatt annually in the State.

Chapter 542 of 2004 added wind generators to the program, and Chapter 266 of 2005 added biomass generators. Chapter 121 of 2006 allowed eligible customer-generators to carry credits for excess electricity generated for up to 12 months.

Chapter 120 of 2007 increased the capacity limit on the net generation program from 34.722 megawatts to 1,500 megawatts and increased the standard limit on generating capacity for an individual customer-generator from 200 kilowatts to 2 megawatts. The Act provided that the eligible customer-generator owns the renewable energy credits associated with the generation equipment and clarified that electricity credits accumulated from excess generation expire after 12 months.

In accordance with Chapter 120 of 2007, PSC formed a small generator interconnection workgroup and subsequently published proposed regulations in the Maryland Register on January 2008, regarding small generator interconnection standards and procedures for Maryland on-site generation facilities that are consistent with nationally adopted interconnection standards and procedures.

In February 2008, PSC released the *Report on the Status of Net Energy Metering In the State of Maryland* prepared for the General Assembly in compliance with § 7-306(i) of the Public Utility Companies Article. PSC reports the current installed capacity of eligible customer-generators in the State is approximately 364 kilowatts ("kW"), or .364 MW. The current eligible limit of 1,500 MW far exceeds the level of installed capacity, and it is unlikely that the current cap would be approached within the foreseeable future. Accordingly, PSC does not recommend changes to the eligibility cap for net metering.

State Fiscal Effect: Electricity customers who generate their own electricity to consume on-site greatly reduce their purchases from their local utility. Since all electric customers pay .062 cents in a tax surcharge for each kilowatt hour delivered, to the extent the bill increases on-site generation general fund revenues would decrease. Sales tax revenues would also decrease because commercial electricity customers pay the 6% sales tax on their purchase of electricity. Any such revenue decreases are assumed to be minimal.

Small Business Effect: The bill would create additional incentives for a company to build on-site electricity generation and becoming a customer-generator.

Additional Information

Prior Introductions: HB 858 of 2007, a similar bill received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

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

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