

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1057
Economic Matters

(Delegates McHale and Hecht)

Finance

Net Energy Metering - Micro Combined Heat and Power

This bill expands eligibility for net energy metering by altering the definition of an eligible customer-generator to include a customer that contracts with a third party to own and operate eligible generation located on the customer's premises or contiguous property. Sources of generation eligible for net energy metering are also expanded to include micro combined heat and power (micro CHP). Micro CHP is defined as the simultaneous or sequential production of useful thermal energy and electrical or mechanical power not exceeding 30 kilowatts.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: The bill will not materially affect State finances or operations.

Local Effect: Potential meaningful benefit to certain local governments.

Small Business Effect: Potential meaningful benefit for small businesses that become eligible for net energy metering.

Analysis

Current Law: Net energy metering is defined as 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. An "eligible customer-generator" is a customer that owns and operates, or leases and operates, a biomass, solar, or wind electric generating

facility located on the customer's premises, interconnected and operated in parallel with an electric company's transmission and distribution facilities, and intended primarily to offset all or part of the customer's own electricity requirements.

Background: Micro CHP can be installed in an individual home and typically consists of a Stirling engine that converts natural gas into both electricity and heat. Electricity generated through micro CHP can be used in the home and through net energy metering, and any excess generation can be fed into the utility grid. Heat created through the generation process can be used for hot water and space heating in the home. Although micro CHP does not typically use a renewable energy source, dispersed generation such as micro CHP provides a meaningful benefit by alleviating congestion in electric transmission lines and lessening overall demand for electricity during periods of peak demand.

Micro CHP, as defined in the bill, may include small scale co-generation facilities, which generally use thermal energy simultaneously from a common fuel source to produce electricity, provide heat, or provide mechanical power for industrial processes. In some cases the generator or engine may use waste gases from an industrial process as its fuel.

Electric companies are required to permit net energy metering for eligible customers; however, utilities implement net energy metering through tariffs that are filed with the Public Service Commission. These tariffs place terms and conditions on the net-metering operations and specify monthly customer charges. These tariffs also include requirements for eligibility which cap the maximum installed size as well as the statewide limit.

Local Fiscal Effect: Local governments that become eligible customer-generators stand to benefit from increased eligibility for net energy metering. The bill allows a local government to benefit from net energy metering for generation placed on the local government's premises or contiguous property. This benefit is enhanced by removing the requirement that the local government own and operate, or lease and operate the eligible generation.

Small Business Effect: Net energy metering provides a meaningful benefit to eligible small businesses. During times of peak generation, excess electricity produced by a customer-generator is fed into the electric grid and the customer-generator is only charged for the net difference of electricity used each month. The practical effect is that customer-generators are able to use the utility grid as battery storage, so excess energy produced at any given instant can be captured for later use. Small businesses also benefit from net energy metering because net energy metering allows less expensive interconnection with the utility grid.

Removing the requirement that the property owner actually own and operate the generating facility will facilitate large-scale solar installations by allowing the solar facility owner (who may not necessarily be the property owner) to receive renewable energy credits for the facility and the customer who owns the property to take advantage of net energy metering. The benefit specifically applies to commercial properties with rooftop solar generation.

The bill provides a meaningful benefit to small businesses that choose to install micro CHP or use certain forms of co-generation by making these small businesses eligible customer-generators and therefore able to take advantage of net energy metering.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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