

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE

House Bill 701 (Delegate Hecht, *et al.*)  
Economic Matters

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**Energy Companies - Net Energy Metering - Payment for Accrued Generation Credit**

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This bill alters the net energy metering program by requiring an electric company, at the request of an eligible customer-generator under the net energy metering program, to pay that customer-generator for credits from excess electricity generated. Payment for excess generation credits must be at the same retail electric rate the customer-generator pays for the consumption of electricity.

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**Fiscal Summary**

**State Effect:** None. The Public Service Commission (PSC) can implement the bill with existing budgeted resources.

**Local Effect:** Potential meaningful benefit for local governments that participate in the net energy metering program.

**Small Business Effect:** Potential meaningful benefit for small businesses that participate in the net energy metering program.

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**Analysis**

**Bill Summary:** On written request from an eligible customer-generator, an electric company must pay the eligible customer-generator for any credits from excess electricity generated by that customer. An eligible customer-generator may, by written request, receive payment for excess generation credits at the end of each calendar quarter or each calendar year. Payment for excess electricity generated by an eligible customer-generator must be at the same retail rate that customer pays for the consumption of electricity. If

that eligible customer-generator is served on a time-of-use tariff, the electric company must credit that customer for excess generation using time-of-use rates. Excess generation credits must appear on a customer's bill in a dollar amount.

An electric company must pay an eligible customer-generator for excess generation credits within 15 days after the end of the requested time period. Also, if a customer-generator closes an account with an electric company, the electric company must, within 15 days, pay the customer-generator for any accrued generation credits remaining at the time the account is closed.

**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, wind, or micro combined heat and power electric generating facility located on the customer's premises or contiguous property; 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. The generating capacity of an eligible customer-generator for net metering may not exceed two megawatts.

An eligible customer-generator may carry forward credits from excess generation, in the form of a negative kilowatt-hour reading, for up to 12 months or until the customer-generator's consumption of electricity from the grid eliminates that credit. At the expiration of the 12-month accrual period any credits from excess generation revert to the electric company and may not be recovered by the eligible customer-generator. State law does not permit eligible customer-generators to transfer credits from excess generation.

For an eligible customer-generator whose facility is sized to produce energy in excess of the customer-generator's annual energy consumption, PSC may require the customer-generator to install a dual meter capable of measuring the flow of electricity in two directions and must develop a credit formula that excludes recovery of transmission and distribution costs and provides a dollar-for-dollar offset of electricity supplied by the grid compared to electricity generated by the company.

PSC is required to submit an annual report on the status of net energy metering to the General Assembly by February 1 of each year. This report must contain the amount of generating capacity owned by eligible customer-generators in the State, the type of energy resource used in generation, a recommendation on if the generating capacity limit of the net metering program should be altered, and other pertinent information.

**Background:** As noted above, customer-generators with generating capacity in excess of their own consumption may be required to install a dual meter, which measures electricity generated and electricity consumed separately. Customer-generators with dual meters may currently receive dollar-for-dollar credits for excess generation but are not required to receive payment. These credits must exclude transmission and distribution costs. The number of customer-generators with dual meters currently installed is minimal overall.

Based on data submitted by electric companies, there are currently over 1,000 customer-generators in the State participating in net metering and approximately 90% of these customer-generators have solar installations. Over 55% of customer generators have 4 kilowatts or less of generating capacity and over 90% of customer-generators have 10 kilowatts or less of generating capacity.

The 2010 annual report on net energy metering has not been submitted to the General Assembly by PSC. The most recent data reported by PSC available on net energy metering is provided in **Exhibit 1**. During calendar 2008, the amount of generation increased from 364 kilowatts to 2,453 kilowatts. This represents only 0.16% of the current statewide limit of 1,500 megawatts for total net energy metering capacity. As of January 2009, the majority of net metering in the State was from solar generation. The generation sources are likely to have changed in the past 12 months, as additional generation sources have become eligible for net energy metering (micro combined heat and power) and additional grants have been provided for solar and small wind installations.

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**Exhibit 1**  
**January 2009 Net Metering Capacity**  
**(Kilowatts)**

<b><u>Electric Utility</u></b>	<b><u>Solar</u></b>	<b><u>Wind</u></b>	<b><u>Biomass</u></b>	<b><u>Utility Total</u></b>
A & N Electric Cooperative	-	-	-	-
Baltimore Gas and Electric Company	302.8	0.8	-	303.6
Choptank Electric Cooperative	21.2	37.2	-	58.4
Delmarva Power and Light Company	85.4	27.7	-	113.1
Easton Utilities	-	-	-	-
Hagerstown Municipal Light Company	1.0	-	-	1.0
Town of Thurmont	-	-	-	-
Town of Berlin	-	-	-	-
Potomac Electric Power Company	713.3	-	-	713.3
Potomac Edison Company	1,035.5	144.9	-	1,180.4
Williamsport Light	-	-	-	-
Southern Maryland Electric Cooperative	83.2	-	-	83.2
Somerset Electric Cooperative	-	-	-	-
<b>Total</b>	<b>2,242.4</b>	<b>210.6</b>	<b>-</b>	<b>2,453.0</b>

Source: Public Service Commission

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**Local Fiscal Effect:** Local governments that are eligible customer-generators participating in net energy metering stand to benefit from receiving payment for excess electricity generated. Local government participation in net metering is currently minimal.

**Small Business Effect:** Allowing eligible customer-generators to receive payment for excess electric generation provides a meaningful benefit to small businesses that participate in the net energy metering program.

**Effect on Retail Electric Customers:** The bill will not have a significant effect on electric rates as a whole. To the extent that changes to the net energy metering program increase electric company costs to administer the program, residential electric rates may increase, as electric company costs to administer the net energy metering program are charged to all customers through base distribution rates. However, to the extent that changes to the net energy metering program result in an increase in small distributed generation, retail electric customers may benefit from reduced rates. Distributed

generation provides a meaningful benefit by alleviating congestion in electric transmission lines and lessening overall demand for electricity during periods of peak demand.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 355 (Senator Pinsky, *et al.*) - Finance.

**Information Source(s):** Public Service Commission, Department of Legislative Services

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ncs/lgc

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