

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 787

(Delegate Korman, *et al.*)

Economic Matters

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Electricity - Energy Storage Systems (Storage Technology and Electric Power  
(STEP) Act)

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This bill requires the Public Service Commission (PSC), by March 1, 2017, to open a proceeding to determine appropriate increasing targets, if any, for each electric company to procure viable and cost-effective energy storage systems by December 31, 2020, and December 31, 2025, subject to specified requirements. By October 1, 2018, PSC must adopt the procurement targets that it determines to be appropriate, if any, under its proceeding. PSC must reevaluate the determinations at least once every three years. Each electric company must adopt a plan for the procurement of any energy storage systems required under the bill and must submit specified reports to PSC beginning in 2021. The bill does not apply to municipalities or rural electric cooperatives. PSC may adopt regulations to implement the bill.

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Fiscal Summary

**State Effect:** PSC can handle the bill's requirements with existing budgeted resources. The bill does not materially affect State finances or operations.

**Local Effect:** The bill does not materially affect local government finances or operations.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** "Energy storage device" means a device used to store energy for use as electricity at a later time, or for use in a process that offsets electricity use at a peak time, and includes certain specified technologies, such as compressed air, a flywheel, or a

capacitor. It does not include pumped hydropower. In adopting and reevaluating appropriate energy storage system procurement targets and policies under the bill, PSC must, among other things:

- consider existing operational data and results of testing and trial pilot projects from existing energy storage facilities; and
- ensure that the energy storage system procurement targets and policies that are established are technologically viable and cost effective.

Each electric company must adopt a plan for the procurement of any energy storage systems required under the bill. The plan must address the acquisition and use of energy storage systems in order to achieve specified purposes, including:

- integrating intermittent generation from eligible renewable energy resources into the reliable operation of the transmission and distribution grid;
- reducing purchases of electricity generation sources with higher emissions of greenhouse gases; and
- avoiding or delaying investments in transmission and distribution system upgrades.

All procurement of energy storage systems by an electric company under the bill must be cost effective.

By January 1, 2021, and January 1, 2026, each electric company must submit a report to PSC demonstrating that it has complied with the energy storage system procurement targets and policies PSC determines for the electric company to achieve directly prior to each date. PSC must ensure that a copy of each report, with any confidential information redacted, is available on its website.

**Current Law/Background:** No energy storage requirement exists in State law; however, several programs are designed to promote energy efficiency, such as EmPower Maryland. The Maryland Energy Administration (MEA) completed a [study](#) (available on MEA's website) in January 2016 that addressed various considerations for energy storage in Maryland, including background on the types of storage systems and a discussion of significant regulatory and market barriers and ways other states have addressed them. The report found that storage can provide a variety of functions in the electricity system, from supporting the efficient operation of the electric grid to providing backup power in emergency situations. The report also noted that, notwithstanding the benefits, "the historic high costs of energy storage systems have made it difficult for broad deployment."

*California Assembly Bill 2514 of 2010 and Related Rulemaking*

California Assembly Bill 2514 of 2010 required the California Public Utilities Commission (CPUC) to open a proceeding to determine appropriate targets, if any, for each load-serving entity (utility) to procure viable and cost-effective energy storage systems to be achieved by December 31, 2015, and December 31, 2020. CPUC was required to adopt the procurement targets, if determined to be appropriate, by October 1, 2013.

In October 2013, CPUC adopted an energy storage procurement framework and established a combined energy storage target of 1,325 megawatts of energy storage to be procured by Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company by 2020, with installations required no later than the end of 2024.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 24, 2016  
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