Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1112 (Delegate Brooks)
Economic Matters

Electricity - Net Energy Metering - Generation Credits

This bill alters the net energy metering program to require the application of generation credits to an eligible customer-generator's total monthly bill, as specified, if electricity generated by the eligible customer-generator exceeds the electricity supplied by the grid. "Generation credit" means the amount of net excess generation converted into a dollar amount, as specified.

Fiscal Summary

State Effect: Special fund expenditures increase by $92,000 in FY 2023; future years reflect annualization, inflation, and ongoing costs. Special fund revenues increase correspondingly from assessments imposed on public service companies.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	$92,000	$104,700	$107,800	$110,600	$113,800
SF Expenditure	$92,000	$104,700	$107,800	$110,600	$113,800
Net Effect	$0	$0	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government finances may be impacted, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Net Energy Metering

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 grid over the eligible customer-generator's billing period. An "eligible customer-generator" is a customer that owns and operates, leases and operates, or contracts with a third party that owns and operates a biomass, micro combined heat and power, solar, fuel cell, wind, or closed conduit hydroelectric 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 generally not exceed two megawatts.

An eligible customer-generator that generates more electricity than consumed from the grid may accrue net excess generation for an accrual period of up to 12 months that ends with the billing cycle that is complete immediately prior to the end of April of each year. The electric company must carry forward net excess generation until the eligible customer-generator's electricity consumption eliminates the net excess generation or the 12-month accrual period expires.

On or before 30 days after the billing cycle that is complete immediately prior to the end of April of each year, the electric company must pay each eligible customer-generator for the dollar value of any accrued net excess generation remaining at the end of the previous 12-month period. Also, if a customer-generator closes an account with an electric company, the electric company must, within 15 days, pay the eligible customer-generator for the dollar value of any accrued net excess generation remaining at the time the customer closes the account. The dollar value of net excess generation must be equal to the average generation or commodity rate that the eligible customer-generator would have been charged over the 12-month accrual period, multiplied by the number of kilowatt-hours of net excess generation. For customers served by a community choice aggregator or an electricity supplier, the dollar value is equal to the generation or commodity rate that the customer would have been charged, multiplied by the number of kilowatt-hours of net excess generation.

An eligible customer-generator served by an electric cooperative that serves a population of less than 250,000 in its distribution territory may choose to be paid for the dollar value of net excess generation at the end of each month instead of at the end of the 12-month accrual period. If an eligible customer-generator chooses to receive payment for net excess generation monthly, the dollar value of the net excess generation is equal to the generation or commodity portion of the rate the eligible customer-generator would have been charged by the electric cooperative for the previous month. An electric cooperative must pay the eligible customer-generator for net excess generation within 30 days after the end of each month.

Community Solar Energy Generating Systems

Chapters 346 and 347 of 2015 required the Public Service Commission (PSC) to establish a three-year Community Solar Energy Generating System Pilot Program, subject to specified conditions. The program was subsequently extended through December 31, 2024. Such a system, in addition to other requirements, credits its generated electricity, or the value of its generated electricity, to the bills of the subscribers to that system through virtual net energy metering. Subscribers must be in the same electric service territory as the system.

Budget Billing

Budget billing is a mechanism used by utility companies in which an annual utility bill is spread into even monthly payments. Participation in budget billing is currently required for customers who receive certain energy assistance; however, in October 2021, PSC directed the formation of a workgroup to explore alternatives to budget billing.

State Fiscal Effect: PSC advises that it must promulgate regulations and revise business practices and tariffs relating to net metering in order to implement the bill's requirements. This process will likely require convening workgroup meetings, submitting a petition for a rulemaking, participating in the rulemaking process, and monitoring utility implementation. PSC advises that the bill requires additional resources to support new and incremental legal, regulatory, and technical work, especially considering the challenges involved in implementing and overseeing necessary changes to utility billing practices.

Accordingly, special fund expenditures for PSC increase by $91,972 in fiscal 2023, which accounts for the bill's October 1, 2022 effective date. This estimate reflects the cost of hiring one part-time staff attorney and one part-time program manager to handle PSC's incremental workload under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The estimate does not include any potential programming costs that may be required to implement the bill.

Positions (Part-time)	2.0
Salaries and Fringe Benefits	$78,081
Operating Expenses	13,891
Total FY 2023 State Expenditures	**$91,972**

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Special fund revenues increase correspondingly from assessments imposed on public service companies.

Local/Small Business Effect: Local governments and small businesses that are eligible customer-generators are likely impacted, positively or negatively, from the payment terms offered under the bill. On the one hand, eligible customer-generators may benefit from (or prefer) monthly credits. On the other hand, PSC advises that a monthly dollar credit based upon the generation or commodity value of electricity (*i.e.*, excluding the value of transmission and distribution costs) may ultimately reduce the value of an eligible customer-generator's net excess generation, compared to the current method of annual accrual (which incorporates the costs of transmission and distribution).

Additional Comments: Although utilities may recover the costs that they incur to implement the bill's requirements through future rate cases, the bill's overall effect on electricity prices (which affects all users of electricity, including the State, local governments, and small businesses) is not likely to be significant.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Office of People's Counsel; Public Service Commission; Department of Legislative Services

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