



Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Mary Beth Tung, Director

TO: Members, Senate Finance Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: SB0407 (HB0569) – Electricity – Net Energy Metering – Limit
DATE: February 2, 2021

MEA POSITION: Letter of Information

Net energy metering (NEM) has been a part of Maryland energy policy since the passing of House Bill 869 (1997), and overall capacity was increased to its current level of 1,500 MW a decade later. As of June 30, 2019 Maryland had achieved 754 MW of NEM generation out of the permissible 1,500 MW, or approximately 50% of the capacity limitation. At 2019 adoption rates, that capacity limitation is estimated to be sufficient until at least 2025, or perhaps longer.

NEM is a tool that Maryland uses to encourage the adoption of distributed energy resources (DERs) that align with state goals. NEM policies create a streamlined regulatory scheme for property owners to invest in behind-the-meter energy generation assets. MEA further incentivises adoption through its bevy of programs, including grants for design and planning as well as capital for the generation assets themselves.

DERs offer grid benefits, including peak-shaving and increasing power quality.¹ DERs can also increase resiliency from major weather events such as Superstorm Sandy. In turn this provides greater resiliency for nearby critical infrastructure, including emergency and medical services.² DERs promoted by NEM also provide environmental benefits, reducing greenhouse gas emissions by displacing more highly polluting energy resources. NEM can help lead to a reduction in transmission and distribution inefficiencies and reduce grid congestion, all while promoting in-state investments in clean energy.

There is a socialization of costs resulting from NEM. Traditional rate design does not require that the costs be shared either equally or proportionately. This may be exacerbated by NEM policies that compensate ratepayers for generation at a rate in excess of the market cost of energy. In Maryland, these installations are currently credited for generation at the full retail rate, encompassing both the wholesale cost of energy and the cost of delivering that energy. By this arrangement, the expense associated with the portion of credits that represent the delivery of energy are socialized across the rate base. It is worth mentioning, however, that the benefits of NEM are shared by society at large; both ratepayers and non-ratepayers.

Maryland lawmakers and regulators have historically concluded that the environmental and grid benefits promoted by NEM and provided by DERs outweigh the limited impact to ratepayers. NEM is an excellent tool for the continued promotion of DERs, while providing grid and environmental benefits to Marylanders.

¹ *The Potential Benefits of Distributed Generation and Rate-Related Issues That May Impede Their Expansion*, U.S. Dept. of Energy (2007), iii.

² *Id.*