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112 West Street
Annapolis, MD 21401
410-269-7115

Oppose – Senate Bill 407
SB 407 – Electricity – Net Energy Metering – Limit

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) oppose **Senate Bill 407 Electricity – Net Energy Metering – Limit**. Senate Bill 407 changes the limit on related generating capacity for net energy contract or tariff available customer-generators in the state from 1,500 megawatts to 3,000 megawatts.

Pepco and Delmarva Power support clean energy policies and the State's goals of reducing greenhouse gas emissions and advancing clean energy technologies, like distributed solar. Maryland's existing net energy metering limit is 1500 MWs. According to a report issued by the Public Service Commission in late 2020, Maryland is only slightly over half-way to that 1500 MW limit and is not expected to reach the limit for at least three years. As a result, Senate Bill 407 is simply not necessary at this time.

An excerpt from the PSC report states:

“The Commission recommends the General Assembly **begin** to explore expanding the current net metering cap or alternative replacement policies. **With three to four years remaining** before the State reaches its current net metering cap, it may be prudent to examine best practices from the State's program along with those offered across the country while there is sufficient time to carry out a thorough review.” (Public Service Commission of Maryland Report on the Status of Net Energy Metering In the State of Maryland, November 2020, p. 1. Emphasis added)

The solar industry has undergone a significant market transition since 1997 when Maryland first adopted net energy metering. Pepco and Delmarva Power urge an examination of whether a policy that was adopted almost 25 years ago continues to be a best practice under the current market conditions and regulatory framework.

The Solar Energy Industries Association reports that solar installation costs have dropped by 70% over the last decade. In addition, the recent adoption of FERC 2222 presents new market conditions and a shifting policy landscape around solar. FERC 2222 provides an additional revenue stream for solar and other distributed energy resources in the wholesale market. Implementation of FERC 2222 will not occur until summer of 2021. Maryland should consider the impact of FERC Order 2222 on available revenue streams and further solar development, supporting the need to take a pause on expanding a program that is not near its saturation point. It will be important to evaluate the impact of different programs on solar development and whether increasing the existing 1500 MW cap on net metering will best support the additional build out of solar in Maryland.

Finally, while net metering may help to encourage solar build out, it is also a policy that shifts costs among customers. That is, customers who can afford to install solar on their homes or have suitable homes for solar installation, receive an additional revenue stream through net energy metering that is paid for by all customers, including low income customers and those customers who rent or otherwise are unable to take advantage of the net energy metering rules in Maryland. When net energy metering was first introduced as a policy in Maryland, cost-shifting was the subject of years of debate, and ultimately the legislature determined that a limit of 1500 MWs would reasonably limit the cost shifting that occurs through net energy metering policies like the one adopted in Maryland.

Prior to doubling the net metering limit, Pepco and Delmarva Power concur with the PSC's suggestion to thoroughly examine net energy metering in the context of best practices and make an informed decision whether to expand the net energy metering limit, consider the cost impacts of expanding the limits on customers that do not install solar, and explore other programs suitable to encourage solar development. Pepco and Delmarva Power commit to participating in that discussion, whether it occurs through a legislative work group/task force or a proceeding at the PSC.

For the above reasons, Pepco and Delmarva Power respectfully request an unfavorable vote on Senate Bill 407.

Contact:

Katie Lanzarotto
Senior Legislative Specialist
202-428-1309
Kathryn.lanzarotto@exeloncorp.com

Ivan K. Lanier
State Affairs Manager
202-428-1288
Ivan.Lanier@pepco.com