STATE OF MARYLAND

JASON M. STANEK
CHAIRMAN

PUBLIC SERVICE COMMISSION
OFFICE OF THE CHAIRMAN

February 7, 2023

Chair C.T. Wilson
Economic Matters Committee
Room 231, House Office Building
Annapolis, MD 21401

RE: INFORMATION – HB 68 – Net Energy Metering – Accrual of Net Excess Generation (Net Metering Flexibility Act)

Dear Chair Wilson and Committee Members:

House Bill 68 amends PUA §7-306 and makes changes to net energy metering and related eligible customer-generators, with respect to the accrual of net excess generation. The Maryland Public Service Commission oversees the status and general administration of Maryland's net energy metering program.

Specifically, HB 68 seeks to change the processes for net energy metering eligible customer-generators related to net excess generation in two main areas: (1) adds language, which provides that an eligible customer-generator may have the ability to accrue net excess generation for an indefinite period of time, and (2) changes the billing cycle month, from April to August, when customer-generators' accrual of net excess generation would reset, if they elect to accrue net excess generation for no more than 12 months.

The first change, adding language to give customer-generators the option to accrue net excess generation indefinitely, raises a few concerns. If customer-generators choose this option and accrue excess generation indefinitely, it could lead to an increase in the subsidization for net metering customers. For these customers, there is a possibility that they would only be required to pay the flat customer charge of their utility bill indefinitely (due to their net metering generation covering most or all of their usage), and this would lead to these customers being subsidized by all other customers, because all other customer costs and rates would increase in order to cover the costs for the net metering customer who only pays a small flat monthly fee. HB 68 also does not specify the calculation methodology used to determine the amount of excess generation payment to be paid out to customers that choose to accrue generation indefinitely. The current process for calculating net excess generation payments utilizes the average commodity rate over the past 12-month period, and using this methodology for customer-generators that accrue excess generation indefinitely could lead to further subsidization of net metering customers. This is based on the scenario that a customer could accrue generation for many years, and understanding that prices are expected to increase over time, choose to receive a payment for excess generation, thus increasing the value of the payment even though the excess generation was not produced during the time period in which the credit was paid and would not create an additional value to support the increased payment. Additionally, allowing customers the ability to accrue excess generation indefinitely could create issues for the

Utilities' systems by requiring utilities to track this data in perpetuity. The cost of updates to the utilities' systems would be borne by all ratepayers.

The second change of moving the billing cycle month from April to August, when customer-generators' accrual of net excess generation would reset (if they choose to accrue net excess generation for 12 months) could have various customer impacts and negative effects. In the current paradigm, Customers may accrue excess generation over the spring and fall, which can be used to offset higher usage during summer and winter. However, if the beginning of the net metering year is changed to August, customers will have less time to build up an excess balance to offset summer and winter usage, which will lead to higher overall costs for customer-generators. This higher overall cost for customer generators is because accrued excess generation is more valuable than the dollar-credited excess generation that is paid out at the end of the billing cycle.[1]

Another concern related to HB 68 revolves around the logistical problem of how a customer would inform the utility regarding their chosen schedule for accrued excess generation: either the 12-month billing cycle for accrued excess generation, or the ability to accrue net excess generation indefinitely. Currently, no such process exists for notification, or for switching from one excess generation schedule to the other.

Furthermore, the Committee may wish to consider the language regarding the calculation of the dollar value of the net excess generation for customers who choose to accrue net excess generation for no more than 12 months. The language provides that the dollar value of the net excess generation shall be equal to the generation or commodity rate that the customer would have been charged by the community choice aggregator or the electricity supplier. This could create an issue for utilities, as they would be required to pay an excess generation payment to a customer based on a commodity rate that the utility did not calculate or anticipate. The unaccounted-for payment from the utilities could also result in utility billing system changes; the cost of these changes would be borne by all ratepayers.

I appreciate the opportunity to provide information on HB 68. Please contact the Commission's Director of Legislative Affairs, Lisa Smith, if you have any questions.

Sincerely,

Jason M. Stanek, Chairman

[1] Accrued excess generation is typically more valuable than dollar-credited excess generation because it is shown simply as a reduction in kWh usage on a customer's bill, which in turn reduces both the distribution and commodity portion of their bill. Dollar-credited excess generation, on the other hand, is paid as the value of the commodity portion of the rate that the customer would have been charged by the utility or electric supplier over the previous 12-month period.