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Committee: Economic Matters

Testimony on: HB68 “Net Energy Metering – Accrual of Net Excess Generation (Net Metering Flexibility Act)”

Position: Support

Hearing Date: February 9, 2023

The Maryland Chapter of the Sierra Club urges a favorable report on HB68. This legislation will increase the opportunity for utility customers to benefit from a system prescribed by state law known as net metering. As set forth at the end of our testimony, we also support two amendments to the bill that will further strengthen it and which, we understand, the sponsor is contemplating having introduced.

Net metering incentivizes Maryland residents to generate electricity at their residences or businesses, typically by placing solar panels on rooftops, and thus is one of the ways in which state policy supports the generation of clean electricity in Maryland (which, in turn, is essential for meeting Maryland’s aggressive greenhouse-gas reduction goals). The electricity generated by net-metering utility customers is primarily intended for their own use. However, if and when they generate more electricity than they use, the excess electricity (the “net”) is fed back into the grid, and customers are financially compensated for this electricity by their electricity supplier.

Currently, “net” electricity amounts are determined on a monthly basis, and customers receive credits against their monthly bills for any excess electricity they feed into the grid. Unused credits are carried over and accumulate during the year. Then, in April, any accumulated unused credits are zeroed out, and customers are paid for them. However, these payments are worth less than if the credits had been used to reduce an electricity bill earlier in the yearly cycle.

As currently designed, this system unintentionally disadvantages many net metering customers. The choice of April as the yearly end date means that net metering customers enter into summer having had only a month or so to accumulate credits. But for many, their peak electricity use is in summer (because of air conditioning), and so, on the one hand, summer is when they do not generate any excess electricity to acquire credits and, on the other hand, summer is when they most want to have credits available. At other times of the year, when their electricity use is lower, they are more likely to generate unused credits. However, unused credits created at those times are zeroed out in April before summer arrives.

This bill will amend the April zero-out date to allow net metering customers to choose between two alternative compensation systems.

First, customers may choose to continue with the existing annual credits system with the zero-out date instead moving to August, which will allow many net metering customers to make better use of their credits.

Founded in 1892, the Sierra Club is America’s oldest and largest grassroots environmental organization. The Maryland Chapter has over 70,000 members and supporters, and the Sierra Club nationwide has over 800,000 members and nearly four million supporters.

Alternatively, customers may choose to have their excess credits accumulate indefinitely, with no annual zeroing out, provided that all excess generation credits will be forfeited (with no compensation) when the customer's electricity account is closed. This option will act somewhat like a (non-interest-bearing) bank account – excess generation amounts will ebb and flow as the home electricity generation alternately exceeds and later falls short of the customer's offtake of electricity from the grid.

The flexibility afforded by this option may be especially advantageous as customers change their electricity use patterns in response to federal and state incentives to address climate change by electrifying their homes (switching from gas home heating and appliances), and buying an electric vehicle and charging it at home.

To account for forthcoming shifts in electricity use, it would be appropriate to allow net metering customers who, at first, choose the August zero-out option to subsequently switch to the indefinite accumulation option. This apparently is not allowed by the bill as currently written. However, we understand that a sponsor amendment will be introduced to allow customers to make a one-time switch to the indefinite accumulation system after initially selecting the other option. We support such an amendment.

We also understand that an amendment will be offered to align the revised net metering calculation system with the community solar system. This is appropriate given the General Assembly's consideration this year of legislation to make permanent the current community solar pilot program.

For these reasons, we urge a favorable report on this bill.

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