

STATE OF MARYLAND



OFFICE OF THE CHAIRMAN

JASON M. STANEK

PUBLIC SERVICE COMMISSION

February 28, 2023

Chair Brian Feldman
Education, Energy and Environment
2 West, Miller Senate Office Building
Annapolis, Maryland 21401

RE: SB 697 – INFORMATION – Energy Storage – Targets and Maryland Energy Storage – Establishment

Dear Chair Feldman and Committee Members:

I write today to provide information regarding SB 697. This bill requires the Commission to establish an Energy Storage Program, including competitive procurement mechanisms and a system of energy storage credits, to deploy 3000 Megawatts of storage by 2033. The Commission must establish the program no later than July 1, 2024. The Commission has concerns about (1) obtainability of the goals, (2) the lack of cost-effective limits required of the targets, and (3) the required timeline. The Commission has been in communication with the bill sponsor to address some of our concerns.

The Commission is currently studying the deployment of energy storage systems as required by the Energy Storage Project Act (2019) amended Section 7-216 of the Public Utilities Article (“PUA”), Annotated Code of Maryland. From this Act about 9 MW of capacity that enables about 30 Megawatt-hours of energy across 8 energy storage projects that are in construction or operation. The pilot utilities currently face challenges and delays to the current energy storage pilot project operational dates due to various technical and supply chain challenges. SB 697 requires a 300x increase in Maryland’s utility energy storage Megawatt capacity by 2033 and a 75x increase in capacity in 2027, only one year after the current pilot project is scheduled to end. This escalation in deployment may be aspirational. The Commission requests additional time to develop and deploy the program. Also the Commission requests an amendment that only cost effective energy storage be permitted under this aggressive deployment to protect customers as discussed next.

SB 697 does not permit the Commission to limit deployment of energy storage to only cost-effective resources. A benefit/cost calculation greater than 1.0 will ensure customers are paying for useful projects and establish program guardrails for the aggressive targets. Several of the current pilot storage projects underway are not projected to be cost effective, but these are part of a legislatively required pilot program. The program envisioned by SB 697 is much larger than the existing pilot. Energy storage is a tool that can assist Maryland obtaining a clean energy future, but it would be most cost effective for the electric markets and needs of the distribution system to dictate the State’s deployment of energy storage. SB 697 requires competitive procurement of these energy storage

resources, but competitive procurement does not guarantee cost effectiveness, and could result in ratepayers paying for uneconomic or unnecessary projects.¹ **The legislation should be amended to permit the Commission flexibility to limit deployment of energy storage to cost effective projects.**

The Commission is concerned with the timeline of the proposed legislation for several reasons, as follows:

First, the Commission is required by December 31, 2026, to report to the General Assembly its findings and recommendations for the continued development of energy storage in the state as part of the energy storage pilot program.² These pilots are required legislatively to collect a significant amount of information, some of which could be useful for designing the energy storage program. Establishing targets and program design without this information may be premature.

Second, the requirement that the Commission include a system of energy storage credits will be difficult and costly ratepayers. The market for renewable energy credits (“RECs”) is well established. Maryland operates in the PJM market where RECs are tracked in PJM’s Generation Attributes Tracking System (“GATS”). Currently, there is no system that provides the same service for energy storage. The Commission would need to initiate a rulemaking to develop regulations for energy storage credits, including but not limited to developing application processes and determining the fuel qualifications for each energy storage facility. Accomplishing this before July 1, 2024 will be expensive and difficult. Notably, the workload created by SB 697 cannot be absorbed within existing resources. Additional permanent staff, including an Engineer and an Regulatory Economist will be needed to evaluate energy storage benefits in addition to handling processing of energy storage credit applications. Therefore, a shift in the implementation schedule and the corresponding target dates is requested for the reasons discussed.

Finally, SB 697 should be clarified if the target is a Megawatt-hour (energy) target or a Megawatt (capacity) target as this will result in different amounts of deployment. Currently, the wording is used interchangeably in the bill and will result in confusion.

I appreciate the opportunity to provide information on SB 697. Please contact Lisa Smith, Director of Legislative Affairs, at (410) 336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman

¹ The Commission agrees that any energy storage program in Maryland should include competitive procurement mechanisms provided that no ownership model (utility vs 3rd party) is precluded.

² Order No. 89240 (Case No. 9619)