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

Written Testimony of Maryland Rooftop Solar Coalition

FAVORABLE WITH AMENDMENTS Re: Senate Bill 0966 - Public Service Commission - Net Energy Metering - Successor Program

Dear Chairman Feldman and Members of the Committee,

On behalf of the Maryland Rooftop Solar Coalition, I am writing in support with amendments of SB0966, "Public Service Commission - Net Energy Metering - Successor Program."

Maryland Rooftop Solar Coalition Interest in this Legislation

The Maryland Rooftop Solar Coalition ("MRSC") is a coalition of national, regional, and local companies committed to growing Maryland's rooftop solar market. Our members create durable, family-supporting jobs and help Marylanders reduce and better manage their electricity bills through home solar and storage systems.

Net Energy Metering ("NEM") is foundational to the economic viability of rooftop solar in Maryland. Since 1998, NEM has provided customers fair and transparent compensation for the electricity their systems export to the grid. This has enabled rooftop solar companies—including MRSC members—to serve a wide range of Marylanders with cost-effective clean energy solutions. And at a time of persistent and rising utility bills, the value that NEM provides to customers is more important than ever. Accordingly, any changes to NEM should be scrutinized closely. Even well-intentioned language can have unintended consequences that upend the market, reduce consumer confidence, lead to significant job contraction, and ultimately undermine Maryland's ability to address its affordability and energy reliability challenges.

NEM has also served as a key gateway to the adoption of residential battery storage. Customers seeking to optimize the value of their solar production and improve household resilience are increasingly pairing solar with storage. Storage delivers benefits that extend beyond the customer to the grid and, importantly, to general ratepayers: it can shift or reduce customer load, flatten peak demand by dispatching solar during when called upon, provide reliability and resilience during system stress, and support a more efficient and cost-effective electric system. When properly designed, a NEM successor program can unlock these benefits while ensuring that rooftop solar and storage remain accessible to Maryland families seeking to control their energy bills.

MRSC members have served Marylanders for well over a decade and hope to continue doing so for decades to come. To sustain this market and its associated jobs and consumer benefits, however, the General Assembly and the Public Service Commission ("The Commission") must be cognizant of the design and implementation of any successor program. MRSC therefore respectfully offers the following best practices for consideration:

- **Grandfathering:** Customers receiving NEM credits under the current regime should not be transitioned to a successor program, but should remain on the incumbent NEM tariff for the life of their system.
- **NEM Transition:** Lawmakers should ensure a seamless transition between the current program and any successor program. Any gap between programs would create unnecessary market instability, customer confusion, and potential job loss.
- **Battery Storage and TOU Rates:** The Commission should recognize the multifaceted system and ratepayer benefits that residential storage and time of use ("TOU") rates can provide, and incorporate those opportunities into a successor framework.
- **Program Differentiation:** The needs, cost profiles, and customer impacts of residential rooftop solar differ materially from front of the meter ("FTM") resources. In designing a successor program, the Commission should reflect those differences through appropriately distinguished program structures.
- **Include Residential Stakeholders**: Residential behind the meter experts should be included in the Commission's report proceeding and any subsequent proceedings to develop and implement a NEM successor program.

Protecting NEM 1.0 Customers

Maryland's transition to any NEM successor program must begin with a clear commitment to protect existing customer-generators from being involuntarily moved to a new compensation structure. Customers who installed solar (or solar plus storage) under Maryland's current NEM paradigm made a long-term investment decision based on the rules in effect at the time, particularly the netting mechanism and how exported generation is credited on the bill. Preserving those legacy rights is essential to maintaining consumer confidence, avoiding market disruption, and ensuring Maryland can modernize its policies without penalizing households that acted in reliance on existing law and Commission-approved tariffs.

This is not a novel concept. Across the country, states that have updated NEM policies have routinely paired those changes with strong protections that allow existing customers to remain on their incumbent tariff. For example, Illinois' statewide program administrator has publicly explained that customers already receiving full retail net metering "will continue to receive full retail rate net metering for the life of their system."[1] Similarly, California has paired its successor framework with a long-term grandfathering period that allows legacy customers to remain on

[1] https://illinoisshines.com/wp-content/uploads/2024/07/FAQs-Related-to-Changes-in-Net-Metering-In-Illinois-Consumers-26July2024.pdf

their prior tariff for decades.[2] These approaches reflect a widely accepted regulatory best practice: update the rules prospectively, but do not retroactively rewrite the economics for existing customers who invested under the prior regime.

Additionally, legacy NEM rights should remain with the system upon the sale or transfer of the home so the original customer can capture the full value of the system in resale and the successor homeowner receives the benefit of the existing asset. Conversely, customers should lose legacy rights only through a deliberate, affirmative decision to un-enroll from NEM (for example, to participate in a separate program) not through being automatically moved to a successor tariff.

Create a Smooth Transition Between Programs

Once a state decides it is appropriate to transition from its original NEM policy to a successor program, the transition between programs is as important as the design of the new program. The central objective should be continuity and predictability so customers and installers can plan around clear rules rather than shifting deadlines. Without that certainty, even a well designed successor program can inadvertently create market instability.

This issue is critically important for the residential rooftop solar industry, which is akin to the HVAC industry or home improvement industry. With its short timeline from sales to installation, the sales-build cycle is 'always on'. If there is a gap of even a few months in the availability of NEM, companies will have to lay off people and could even have to close their doors.

There are three pieces to this transition:

1) the requirements for a project to qualify for the current NEM paradigm;
2) sufficient notice (at least 90 days, ideally 180 days) of when the new NEM paradigm will open; and
3) No gap in availability between the current NEM program and the next NEM paradigm.

As part of a stable transition, Maryland should adopt a clear and administrable eligibility benchmark for determining whether a project qualifies for the current NEM framework or the successor program. A best practice for the residential industry is to use the interconnection application submission date, rather than a later milestone such as deemed complete status or permission to operate. Once a customer decides to purchase and install solar on their roof, they submit an interconnection application and then the permitting and building process begins. If the benchmark for qualifying for NEM is later than the interconnection application submitted, it would create unpredictability in the months leading up to the transition.

[2] https://www.sce.com/clean-energy-efficiency/solar-generating-your-own-power/billing-incentives/net-energy-metering

A seamless transition is equally important to prevent customer confusion. Solar and storage are long lived assets, and households often make decisions months in advance based on expected bill credits and payback. If rules change midstream, or if the successor program is not operational when the current program sunsets, customers will reasonably question whether the economics they were promised will hold. That uncertainty chills adoption and can strand projects already in development.

Other states have avoided these disruptions by establishing the successor tariff before the prior program closed and by using interim bridge programs where necessary to keep projects moving. Maryland should follow that playbook. The Commission and policymakers should ensure continuous program availability, clear eligibility rules, and a defined start date for the successor program that does not leave customers or installers in limbo.

Accelerate Residential Storage and Adopt Time of Use Rates

Residential battery storage should be a central consideration in any NEM successor framework because it amplifies the value of rooftop solar for customers, the grid, and general ratepayers. Pairing solar with storage increases in state supply and reduces exposure to high cost peak conditions that ultimately drive up bills, including costs associated with serving peak demand and procuring capacity. At the local level, solar plus storage can reduce feeder peaks and congestion, helping utilities defer distribution upgrades that would otherwise be recovered through rates. Just as importantly, residential solar plus storage, when appropriately incentivized, is among the fastest resources to deploy, leveraging existing infrastructure and avoiding the long siting, permitting, and interconnection timelines that often constrain other solutions.

Maryland is already building the foundation for these benefits through its DRIVE Act proceeding, which is developing virtual power plant (“VPP”) pilots that should go live within the next year. Those programs will depend on sufficient residential battery adoption to deliver meaningful, dispatchable capacity and grid services. A successor NEM program should therefore be designed to accelerate storage adoption and ensure customers are not penalized for adding batteries or enrolling in a VPP.

TOU can further strengthen this framework by sending clear price signals that reward storing energy when the system is under less stress and discharging during peak hours. By encouraging solar plus storage customers to maximize self consumption off peak and export during periods of grid stress, TOU rates also reduce potential ratepayer impacts by aligning customer bill savings with avoided system costs. However, TOU design must work in tandem with VPP dispatch and performance payments, and not discourage participation or dilute incentives. When coordinated well, TOU rates provide everyday signals for self optimization while VPP programs provide actively managed grid services, together maximizing benefits for all customers.

Program Differentiation

Residential behind the meter ("BTM") solar and storage should be addressed through a distinct successor program separate from front of the meter resources because they serve fundamentally different functions and produce different customer and system impacts. Behind the meter systems directly reduce a customer's net load, lowering the amount of electricity the utility must generate, procure, transmit, and deliver to serve that customer. This can reduce cost of service over time by decreasing energy purchases, lowering peak demand, and defer distribution upgrades that are otherwise recovered through rates.

Front of the meter generation is planned, dispatched, and compensated as a grid supply resource, with different cost drivers, interconnection pathways, and market participation options. Conflating these resource types in a single framework risks mispricing benefits and costs and could unintentionally undermine the residential market. The Commission should therefore design two clearly differentiated successor structures, one tailored to BTM customer generation and one to FTM generation.

Residential Solar and Storage Stakeholder Inclusion

Although SB0966 does not exempt residential stakeholders from participating in the Commission's proceeding to develop a report on the development and implementation of a NEM successor program, lawmakers should be explicit in including residential solar and storage stakeholders. To ensure meaningful participation, the statute should specify that eligible contributors include professionals and companies actively operating in Maryland's residential distributed energy market with direct, operational experience in residential installation, interconnection, and the ability to speak to the real-world impacts of program design.

Accordingly, we recommend revising Section 2(b)(1) to state that the Commission shall accept input from residential behind-the-meter experts and market participants. Clarifying this requirement will help ensure the report is informed by practical, market-based expertise rather than theoretical or non-representative perspectives.

Sincerely,

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