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BILL NO.: Senate Bill 143  
Electricity – Net Energy Metering – Accrual of Net Excess  
Generation (Net Metering Flexibility Act)

COMMITTEE: Education, Energy, and the Environment Committee

HEARING DATE: February 21, 2023

SPONSOR: Senator Feldman

POSITION: Favorable

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Senate Bill 143 would amend the net metering statute to give customers who participate in their utility's net metering program the option to accrue net excess generation for an indefinite period. OPC supports the bill as a modest adjustment to existing law that gives more flexibility to net metering customers without unduly burdening non-net metering customers. The bill further encourages the development of distributed generation resources that will be critical to transitioning to a cleaner, more resilient, and more cost-effective energy system for powering Maryland households.

Customers participate in their utilities' net metering program by installing distributed energy resource (DERs), such as a rooftop solar system, or subscribing to a community solar program. Net metering incentivizes both residential and commercial customers to install DERs because, in part, of the way compensation is set. The electricity generated by net metering is a commodity input, but customers receive credits on their bills for both the commodity charge and a portion of the distribution charge. This commodity-plus-delivery compensation has helped increase deployment of renewable energy sources throughout the State, thus reducing potential greenhouse gas emissions from fossil fuel generation. Increased deployment of DERs also has the potential to reduce future spending on the distribution system and improve the electric distribution system's reliability and resilience.

Under current law, net metering customers with more generation credits than what they use accrue the excess generation as a credit on their account for a 12-month period.

SB 143 allows net metering customers the option of changing the accrual period from a fixed 12-month period to an indefinite period. This option would mean customers can use the excess generation from the solar PV to offset charges for usage for a period longer than a year. The longer period will benefit customers who anticipate an increase in future electricity needs at their home or business, for example from the future addition of electric vehicles or the electrification of home heating or cooking.

For customers that opt for indefinite accrual, the utility will no longer have to offer a bill credit or payment for the value of the excess generation at the end of the 12-month period. SB 143 would also alter the existing date in the law for annual payment of excess generation credits from the billing cycle ending in April to the billing cycle ending in August. As the Maryland Energy Administration and the Public Service Commission pointed out in earlier testimony, changing the cash-out date from April to August may reduce the benefit to customers who accrue net excess generation credits during the summer months when solar generation capacity is at its peak and are most in need of those credits during the winter months when solar generation output is limited. On the other hand, customers who use less electricity in the winter may benefit from SB 143's change of the cash-out day to August. OPC takes no position on the change to the cash-out date. Overall, however, by allowing for indefinite accrual, the bill is consistent with the original intent of the net metering law to encourage customers to install DERs to increase Maryland's use of renewable energy.

As noted above, customers who participate in net metering reduce their contributions to the distribution system in addition to receiving a commodity credit. The reduced distribution system contribution creates a potential fairness issue for non-net metering customers, since they pick up the distribution system costs that net-metering customers avoid. While further analysis of this issue would be beneficial for the future, SB 143 should have little or no impact on non-net metering customers because the bill does not alter the overall cap limiting the megawatts available for net energy metering in Maryland, only slightly modifies options already in law, and includes features that potentially decrease the overall amount of distribution charges net metering customers will avoid (such as forfeiture of any outstanding credits when the account is closed). Further, it is apparent that expanded distributed generation will be important for the State's effort to meet its climate goals and that more distributed generation may decrease overall spending needs for the distribution system.

We understand that an amendment to the bill will be proposed to clarify that once a net metering customer has elected to have their net excess generation accrue indefinitely, that customer will not be able to return to yearly payment of net excess generation credits. This clarification will be useful to prevent net metering customers from gaming the options by switching back to an annual payout before closing their accounts to avoid forfeiting any accrued credits.

We are also aware of the amendment proposed by Arcadia and the Coalition for Community Solar Access to make indefinite accrual the default option for community solar subscribers. While sympathetic to the concern that small savings checks may unnecessarily confuse subscribers, making indefinite accrual the default option would require additional language to prevent a community solar subscriber from opting out of indefinite accrual in order to cash-out just before closing their account, thus gaming the options. This gaming concern relates to the amendment flagged above, clarifying that a net metering customer will not be able to return to yearly payment of net excess generation credits once the customer has elected to have their net excess generation accrue indefinitely. If adopted, the Arcadia proposal thus would require additional language providing that opting-out of indefinite accrual may only occur at the time the community solar subscription is authorized, along with language requiring notice to potential subscribers of their ability to opt-out from indefinite accrual.

**Recommendation:** The Office of People’s Counsel requests a favorable report from the Committee on SB 143.