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BILL NO.: House Bill 68
Electricity – Net Energy Metering – Accrual of Net Excess
Generation (Net Metering Flexibility Act)

COMMITTEE: Economic Matters Committee

HEARING DATE: February 9, 2023

SPONSOR: Delegate Korman

POSITION: Support

House Bill 68 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.

HB 68 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. HB 68 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. These changes are in keeping 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, HB 68 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.

Recommendation: The Office of People's Counsel requests a favorable report from the Committee on HB 68.