

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1419
Economic Matters

(Delegate Fraser-Hidalgo)

Electric Distribution System Support Services - Cost Recovery and Energy Storage

This bill requires the Public Service Commission (PSC) to approve the use of regulatory asset accounting in recovering specified costs for programs and incentives established under the Distributed Renewable Integration and Vehicle Electrification (DRIVE) Act if PSC determines that the costs are consistent with related specified goals. The bill also specifies that certain DRIVE Act provisions may not be construed to prohibit an electric company, private entity, or aggregator of distributed energy resources from offering energy storage to residential customers separate from a DRIVE Act pilot program or temporary tariff.

Fiscal Summary

State Effect: PSC can handle the bill's requirements with existing budgeted resources. The bill is not anticipated to otherwise materially affect State finances or operations.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law:

Distributed Renewable Integration and Vehicle Electrification Act

Among other things, Chapters 475 and 476 of 2024 (the DRIVE Act) established incentives and programs for distributed energy resources and electric distribution system support

services. Under the Acts, “distributed energy resource” means an energy resource located on a customer’s premises that (1) produces or stores electricity or (2) modifies the timing or amount of the customer’s electricity consumption. “Electric distribution system support services” means the dispatch and control of a distributed energy resource to provide services that contribute to the efficient and reliable operation of the electric distribution system by an electric company or an aggregator acting at the direction of an electric company.

Electric Distribution System Support Services Program

Under the Acts, PSC must develop a program for each investor-owned electric company to establish a pilot program or temporary tariff to compensate owners and aggregators of distributed energy resources for electric distribution system support services through an incentive mechanism determined by PSC, as specified.

By July 1, 2025, each investor-owned electric company must submit a pilot program or temporary tariff to PSC for approval, subject to specified requirements for performance and compensation. PSC must approve, deny, or approve with amendments the pilot program or temporary tariff in an expedited manner. A municipal electric utility or electric cooperative may also establish a pilot program, temporary tariff, or performance mechanism under the program, subject to the same requirements as investor owned-electric companies. A pilot program may be transitioned to a permanent program under specified conditions.

The Acts do not directly address whether or not an electric company, private entity, or aggregator of distributed energy resources may offer energy storage to residential customers separate from a pilot program or temporary tariff.

Incentives for On-site Generating Systems

Also under the Acts, subject to specified requirements and considerations, PSC may approve or require an investor-owned electric company to offer upfront incentives or rebates to customers to acquire and install renewable on-site generating systems if the customer (1) enrolls in a pilot program or temporary tariff under the Acts and (2) allows the system to be used for electric distribution system support services for at least five years. PSC may (1) authorize or require an investor-owned electric company to provide an additional incentive or rebate for low- or moderate-income customers who apply for an incentive or rebate and (2) require an investor-owned electric company to prioritize the offer of incentives or rebates to low- or moderate-income customers.

Cost Recovery

An investor-owned electric company may recover all reasonable costs incurred in (1) participating in and administering an electric distribution system support services program and (2) offering an upfront incentive or rebate under the Acts. To the extent feasible, the costs must be recovered by the investor-owned electric company within the calendar year in which those costs were incurred. Notwithstanding any provision of the Acts, an investor-owned electric company may pursue and use a performance incentive mechanism to cover the cost of using distributed energy resources or an aggregator of distributed resources under the Acts.

Additional Comments: Generally, a regulatory asset is a method of utility cost recovery that allows a public service company to defer certain costs to its balance sheet, rather keep them on its income statement. Subject to PSC review and approval, the deferred costs can be recovered through future rates.

Currently, electric companies are not allowed to defer costs of DRIVE Act *incentive* programs into regulatory assets. In its [clarification](#) to Order No. 91391, PSC stated that its proscription against the use of regulatory assets applies to DRIVE Act incentive programs and not necessarily all DRIVE Act programs themselves. Electric companies may request the use of regulatory assets for non-incentive DRIVE Act programs when they submit their program proposals. PSC will evaluate any such requests when it evaluates DRIVE Act program proposals.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Legislative Services

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km/lgc

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