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BILL NO.:	**House Bill 821** **Energy Storage Portfolio Standard (STEP Act)**
COMMITTEE:	**Economic Matters**
HEARING DATE:	**February 25, 2016**
SPONSORS:	**Delegate Korman**
POSITION:	**Oppose**

House Bill 821 would establish a new "Energy Storage Portfolio Standard" for electricity suppliers in Maryland. The standard would require each supplier to have available energy storage devices on the system "with an energy capacity rating of at least 1% of the annual average peak power demand" by January 1, 2021 and 2% by January 1, 2025. The Office of People's Counsel opposes House Bill 821.

A major concern with the Bill is the overall uncertainty about the cost impacts. The Fiscal Note indicates that "the amount cannot be reliably estimated at this time" for local government and small businesses, never mind residential customers. Of particular concern is the alternate compliance payment (ACP) of $300 per kilowatt-hour. The Fiscal Note observes that this equates to $300,000 per megawatt-hour (the equivalent of the average monthly use of a residential customer).

OPC also believes that any such portfolio standard, aside from cost impacts, has not been shown to be necessary or appropriate. At best, it is premature. Energy storage has been a major topic of discussion for a number of years, and often referred to as a "game changer." We have seen an increase in the number of distributed energy storage (DES) projects in the past few years. DES can be located at a distribution substation, within a distribution system or customer-sited (on

either side of the meter). Utility scale energy storage is of larger scale and interconnects with, and supports, the bulk electric power system. DES may produce several benefits by improving reliability and resiliency of the distribution system and providing flexibility to the grid, and has the possibility of reducing costs by deferring the need for upgrades to the distribution system.

However, at this time, there still are many challenges to the adoption of energy storage initiatives. These include technological and economic challenges. These issues have not been the subject of any significant discussion or proceeding in Maryland. An adoption of an energy storage standard, without measured consideration of when, where and how energy storage can be most effectively deployed, and in the most cost-effective way, is not in the interest of residential customers at this time.

In light of the above, OPC recommends an UNFAVORABLE report.