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**BILL NO.:** House Bill 773  
Clean Energy – Energy Storage Technology Study

**COMMITTEE:** Economic Matters

**HEARING DATE:** February 23, 2017

**SPONSORS:** Delegates Korman, et al.

**POSITION:** Informational

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House Bill 773 requires the Maryland Clean Energy Center (MCEC) to conduct a study of regulatory reforms and market incentives that may be necessary “to increase the use of energy storage devices in the State in a manner that is fair and open to all stakeholders.” The Bill requires MCEC to consult with certain entities and stakeholders, including the Office of People’s Counsel (OPC), in conducting the study. The Bill contains a very detailed list of requirements for the study, including studies of different technologies and their viability and cost-effectiveness, a review of State regulatory policies and definitions, and use of energy storage as a distributed energy resource and also support for the transmission and distribution grid. The Bill emphasizes a study of the benefits of energy storage or market incentives for storage, but does not include a study of the related costs of integrating energy storage as a distributed energy resource or as a means of deploying energy storage on the utility system. The Bill also includes the study of potential cost recovery from ratepayers for energy storage, market incentives, and potential financing for energy storage.

Energy storage has been viewed for some time as the “holy grail” in the electricity world. In large part due to significant R&D funding through the U.S. Department of Energy, national laboratories and competitive companies have ramped up storage development in the last several years, with a consequent reduction in cost. There is wide recognition of the long-term potential value of storage, whether used to enhance the transmission and distribution system or with other customer distributed energy resources, such as rooftop solar.

However, energy storage in and of itself is a complex topic. The Public Service Commission, utilities, consumer representatives like OPC, and other stakeholders could benefit from a full evaluation of how energy storage can be used and integrated into the current transmission and distribution systems, and the different uses and values at both the wholesale and retail levels. Energy storage poses additional complexities because the potential value of its different uses cuts across the generation, transmission and distribution systems.

In its Public Conference, PC 44, proceeding, the Commission solicited comments and held a public comment proceeding on a variety of grid modernization topics, including energy storage. OPC supported the inclusion of further study of energy storage issues. In its January 31, 2017 order in PC44, the Commission established an energy storage work group to develop (1) proposed regulations defining and classifying residential energy storage and addressing related issues, and (2) proposals for energy storage as a utility asset on the distribution grid, including consideration of cost allocation and cost recovery issues. The work group will conduct its activities from May 2017 through June 2018, which partially overlaps with the timeline for the MCEC study that is the subject of this Bill.

In addition to the PSC PC44 work group on customer and utility-based storage, in November 2016 the Federal Energy Regulatory Commission issued a proposed rule on how distributed energy and energy storage can operate in competitive wholesale markets. That proposal would require regional transmission organizations like PJM to create rules for energy storage to participate in wholesale markets, and also adjust their rules so that distributed energy resource (DER) aggregators can compete in wholesale markets. If eventually adopted, these rules would affirmatively impact the ability of storage resources to participate in PJM's wholesale markets. In joint comments filed with the FERC, the American Public Power Association (APPA) and the National Rural Electric Cooperative Association (NRECA) urged FERC "to maintain as its primary focus efforts to allow electric storage and distributed energy resources to participate in organized wholesale markets *for the benefit of end-use consumers.*"<sup>1</sup> Any Maryland State study on energy storage should likewise focus on how it can benefit Maryland individual consumers and utility consumers as a whole in a cost-effective way.

OPC believes that a study of energy storage is important, so that all stakeholders can fully understand the intricacies of its role and value in generation, transmission and distribution systems, and make appropriate decisions for its future integration. We do note that the scope of the study presented in the Bill is ambitious, and will require extensive resources to complete, although there is no accompanying funding proposal.

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<sup>1</sup> *Comments of the American Public Power Association and the National Rural Electric Cooperative Association on the Notice of Proposed Rulemaking*, February 13, 2017, FERC Dkt. RM16-23, at page 2.