

Background

Prior to the enactment of SB573, the Commission initiated Public Conference 44 (“PC 44”) in which the Commission convened the PC 44 Energy Storage Working Group (“the Working Group”). The Working Group was tasked with exploring the possibility of energy storage as a resource for individual customers, as a distribution grid asset, and to consider the appropriate criteria for evaluating whether a utility should invest in energy storage as a distribution grid asset and, if so, how the utility should be compensated. In November 2018, the Commission designated Public Utility Law Judge Kristin Case Lawrence to facilitate the Working Group.

On January 14, 2019, the Working Group filed a draft proposal for a “short term” Proof of Regulatory Concept Program “to test innovative regulatory and business models for energy storage that have the potential to reduce ratepayer costs and provide benefits to customers, utilities, competitive storage providers, and the electric grid.”¹ The draft proposal noted that “[e]nergy storage developments across the country are growing and are expected to increase in the coming years ... [and that] utilities are beginning to consider energy storage technologies as a part of a suite of solutions that can be deployed to serve distribution and transmission grid needs.”² Noting that batteries are unique in their ability “to tap multiple value streams,” the draft proposal stated that “the Proof of Regulatory Concept Program will allow utilities to explore business models that can bring additional value streams, thereby reducing overall system costs.”³ As outlined in the draft proposal, the purpose, goals and objectives of the proposed program were to (1) maximize storage

¹ Working Group Draft Proposal, Dkt. No. 172 at 1.

² *Id.* at 1-2.

³ *Id.* at 2.

value for ratepayers, utilities, and the electric grid; and (2) facilitate innovative commercial approaches for energy storage. Additionally, the proposed program's design offered a framework for project selection criteria and metrics for evaluating the success of the proposed projects and the program.

Within the Regulatory Proof of Concept Program, the Working Group proposed four models. These included two multiple use models: (1) a Utility Only Model, and (2) a Utility and Third-Party Model. The Working Group also proposed two other models: (3) a Third-Party Ownership Model, and (4) a Virtual Power Plant. Additionally, the Working Group suggested that other models, such as customer- or third-party owned energy storage, providing wholesale market services to the grid operator could be considered.⁴

In the draft proposal, the Working Group recommended that costs of the Utility Only Model be rate-based similar to a traditional utility investment and that any additional revenues received by the utility (for bidding the resource into the wholesale markets) be directly applied to the revenue requirement to reduce ratepayer costs for the asset.⁵ Precise cost estimates for these models, however, could not be determined until after the program progresses.⁶ Therefore, the Working Group suggested that “the project application process is the most appropriate place to evaluate and make determinations on the appropriateness of the program's cost.”⁷ The Working Group did not recommend a mechanism by which the utility might garner an incentive for selecting a third-party-owned system to provide ratepayer benefits in lieu of using the Utility Only Model.

⁴ *Id.* at 9.

⁵ *Id.* at 10.

⁶ Mar. 13, 2019 Hearing Transcript at 32.

⁷ Working Group Revised Draft Proposal, Dkt No. 215 at 4.

On February 21, 2019, the Commission issued a Notice of Hearing on Energy Storage, requesting written comments and reply comments by March 1 and March 8, 2019, respectively, and scheduling a legislative-style hearing on March 13, 2019.⁸ The legislative-style hearing was completed.

On May 13, 2019, SB573 was signed into law. Following the passage of SB573, the Working Group submitted to the Commission a revised draft proposal on May 15, 2019 (“second draft proposal”).⁹ On May 17, 2019 and May 21, 2019, respectively, the Commission received additional comments from the Office of People’s Counsel and the Maryland Energy Administration.

On August 1, 2019, Judge Lawrence filed—on behalf of the Working Group—a proposed timeline stating that the utilities within the Working Group had agreed to file certain project proposals earlier than the statutory deadlines contained in PUA § 7-216 in order to facilitate earlier decisions by the Commission. The filing also requested that the Commission make its determinations to accept or reject utility proposals by December 15, 2020, in order to permit time for resubmission and consideration before the statutory deadline of April 15, 2021. The filing also proposed a July 2020 hearing to review project proposals with stakeholders and the Commission.

Commission Decision

In reviewing the docket in this matter, the Commission observes that the Act and the Working Group’s second draft proposal are complementary. As such, the enactment of SB573 obviates the need for the Commission to address comments which concern the

⁸ The parties filing comments and reply comments in this matter are listed in Appendix A.

⁹ PC 44, Dkt. No. 215.

legality of allowing Maryland's distribution utilities to own and operate storage in the wholesale markets under PUA § 7-504, *et seq.* Also, the Commission will defer consideration of the cost recovery mechanisms and the appropriateness of a need for utility incentives at this time. The Commission will make these determinations on a case by case basis for each application.

The second draft proposal recommends, and the Act requires, that project applications for Commission approval must contain, among other items, information concerning (1) best estimates of costs and savings for the project; (2) project location; (3) project size (in watts) and duration (in watt-hours); (4) primary and secondary applications; (5) business model selected for the project; (6) project developer, engineering, procurement and construction firm information; (7) type of energy storage technology; (8) the process used by the investor-owned electric company to solicit offers for the project; and (9) any other information required by the Commission. PUA § 7-216(e)(1-9).

In addition to the objectives outlined in the second draft proposal and the requirements set forth in the Act, the Commission also directs that project applications shall address the impact of each project on other State policy goals, including environmental and clean energy objectives and the development of the State's retail energy markets, as identified in State law. To evaluate whether the proposed storage projects have the potential to further these State goals, the Energy Storage Working Group is directed to develop and propose, by December 31, 2019, metrics on environmental and clean energy objectives and impacts on the retail energy market for use in evaluating any project proposal.

The second draft proposal also indicates that the Working Group will provide “a more detailed list of the types of value streams each project application should consider by the end of the calendar year.” The Commission hereby directs the Working Group to submit this detailed list by December 31, 2019, along with any additional updates.

Finally, the Commission notes the Working Group’s August 1, 2019 letter and awaits the filing of the energy storage project proposals.

IT IS THEREFORE, this 23rd day of August, in the year Two Thousand Nineteen, by the Public Service Commission of Maryland,

ORDERED (1) That each investor-owned electric company, as defined in the Energy Storage Pilot Project Act, is ordered to solicit offers to develop energy storage projects and thereafter submit them to the Commission for approval in accordance with the standards and timelines prescribed in the Act and as described herein;

(2) That the applications for energy storage projects shall address the impact of each project on State policy goals, including environmental and clean energy objectives and the development of the State’s retail energy markets, as identified in State law;

(3) That the Energy Storage Working Group shall develop and propose metrics on environment and clean energy objectives and impacts on the retail energy market, for use in evaluating project proposals by December 31, 2019;

(4) That the Energy Storage Working Group shall submit a detailed list of the types of value streams each project application should consider by December 31, 2019; and

(5) That a new docket is initiated, Case No. 9619, to permit the Commission to

consider the offers to develop energy storage projects and the additional filings directed in this Order.

/s/ Jason M. Stanek _____

/s/ Michael T. Richard _____

/s/ Anthony J. O'Donnell _____

/s/ Odogwu Obi Linton _____

/s/ Mindy L. Herman _____
Commissioners

List of Parties Providing Written Comments

ABB

Baltimore Gas and Electric Company

Chesapeake Climate Action Network

Delmarva Power & Light Company

Edison Electric Institute

Energy Storage Association

Fluence

Fuel Fund of Maryland

GridWise Alliance

Institute for Energy and Environmental Research

Maryland Energy Administration

Maryland Office of People's Counsel

Maryland Public Service Commission Staff

Pace Energy and Climate Center

Potomac Edison Company

Potomac Electric Power Company

Solar United Neighbors of Maryland

Sunrun, Inc.

Tesla, Inc.

WGL Energy Services, Inc. and WGL Energy Systems, Inc.