



CENTRAL MAINE POWER

Kathleen Newman, Director of Government Affairs and Community Relations

LD 1986, An Act Relating to Net Energy billing and Distributed Solar and Energy Storage Systems

May 24, 2023

Testifying: Ought Not To Pass

Senator Lawrence, Representative Zeigler, and Honorable Members of the Joint Standing Committee on Energy, Utilities and Technology, my name is Jim Mitchell presenting testimony on behalf of Central Maine Power company in opposition of LD 1986, An Act Relating to Net Energy Billing and Distributed Solar and Energy Storage Systems.

First and foremost, CMP supports the continued expansion of renewables providing cost effective energy for our customers. Nevertheless, all of us — policymakers, developers, utilities, customers — are confronted with finding the right path forward amidst the current landscape. Maine's Net Energy Billing (NEB) program has fostered very substantial investment in solar. Combined with other programs including PUC procurement of renewables, approximately three-fourths of Maine's net generation is now from renewables. Only 4 states have a higher share of renewables in net generation. Furthermore, if you tallied up renewables under contract with CMP, non-contracted renewables, plus NEB projects operating or proposed, there are more than 3,000 MWs of renewables on the horizon. So, if the goal is just more renewables, Maine's policies are working.

But, of course, allocation of scarce resources matters. And, in this case that scarce resource is the burden Maine electric consumers can bear. Many renewables are competitive. They help mitigate price swings caused by the volatility of fuels such as natural gas and help lower our demand for fossil fuel fired generation. But not all renewable programs are created equally. For example, we know there are significant cost consequences for the nearly 95 percent of customers not participating in net energy billing projects. Indeed, in 2021 and again in 2022, the Legislature recognized those impending customer cost increases and sought to rein them in through passage of NEB reforms in LD 936 and LD 634.

The bill before you does not appear to build on those efforts to moderate future costs in the current NEB programs but instead establishes a new initiative, the Distributed Solar and Energy Storage Program. The focus appears to be building out more small scale solar with associated storage and funded in part by securing federal dollars. We support leveraging non-ratepayer

funding, but note that the legislation also says “the office may receive funds from the Public Utilities Commission” which, of course, receives its funding from ratepayers.

Turning to the bill section by section:

Section 1. Distributed Solar and Energy Storage Program. The section establishes what appears to be a new and distinct program for solar DG co-located with an energy storage system within the Governor’s Energy Office. Note that the MPUC has already developed the existing Chapter 313 Net Energy Billing Rules that govern the NEB program. The GEO is not an administrative agency of the state and therefore does not have rulemaking authority under the Maine Administrative Procedures Act. Therefore, it is unclear to CMP if the intention is for the GEO to start a new regulatory program, how rules would be established to govern the program. Additionally, it appears the new program will be funded by leveraged Federal dollars. However, as noted above, Section C states that the office may receive funds from the MPUC. Whether this be a new program, or a fund to support projects perhaps through grants, it is not clear how the entity will be governed nor how it would utilize MPUC funding. In addition, if a distinct NEB program is contemplated here, CMP will need time and resources to develop, test and implement a new billing system to support the program.

Section 2. Establishes that a “distributed generation resource” must not have a nameplate capacity greater than 660 kilowatts that was placed into service prior to November 25, 2019. In CMP’s estimation, because LD 1711 was passed in 2019 and most projects were smaller than 660 KWs, the program in LD 1986 appears to be a supplement or additional option to the existing program, rather than a replacement for it. The result, while maybe unintended, is that existing projects could assess which program is most lucrative and swap out or in. CMP questions whether this is the direction the State should go with solar incentives considering the current costs being projected for the already existing program. Additionally, administration of multiple NEB programs will require additional resources which CMP will need to address if these legislative changes are made.

Section 3. NEB Cost Recovery. While the apparent intention of this section appears valid, i.e., to highlight and demarcate the benefits of the solar program in addition to the costs, doing so does not result in lower costs for CMP customers. If there are actual avoided energy costs, those will be realized in the supply-side costs and the wholesale energy markets will see reductions in fossil fuel production. The point being, cost savings resulting from the benefits will not lower T&D costs, but will show up in lower energy or capacity costs passed onto customers through those charges.

Furthermore, the amount of measurable avoided transmission and distribution costs are not anticipated to be significant. Recent studies have shown that transmission and distribution upgrades are necessary as a direct result of new interconnecting DER and CMP seeks to keep these upgrades to the minimum required to reliably connect the generator(s) to support the generator-customers. And where CMP identifies that network upgrade needs are pre-existing,

that is, not driven by a new interconnecting generator, these project costs are passed to rate payers.

The majority of DER proposing to interconnect to the CMP system is solar, which is an intermittent resource only available during the day. CMP system load profiles show that while solar can provide some midday peak load shaving, solar will not be available during Winter peaks and Summer Evening peaks. Reliability projects once driven by midday Summer peak needs that may have been offset by the solar will still be required at the expense of rate payers to meet system reliability needs after sunset.

With the expectation of solar “pricing out” traditional fossil fuels with its incentive payment structure, CMP anticipates high energy and capacity prices to keep fossil fuel units in service during winter and summer evening peaks, traditionally through expensive must-run rates.

Insignificant avoided costs and losses will be lost among the double-hit of high stranded costs passed on to rate payers along with higher energy and capacity costs and traditional network or non-wires alternative solutions still needed during Winter and Summer Evening peaks.

Regarding the allocation of costs and benefits contemplated in the section, the MPUC already allocates NEB costs, in the annual stranded cost filing, on a pro-rata share between CMP and Versant. Additionally, regarding reporting of costs, CMP annually publicly files its costs. However, final costs are not known by March 31st and so if this section is to proceed, CMP recommends moving the report submittal date back to later in the year.

We urge the committee to vote Ought Not to Pass on this legislation and appreciate your consideration of our position.