



P.O. Box 278  
Riverdale, MD 20738

**Committee: Economic Matters**

**Testimony on: HB 1256 “Electricity – Tariffs, Distributed Energy Resources, and Electric Distribution System Support Services (Distributed Renewable Integration and Vehicle Electrification (DRIVE) Act)”**

**Position: Support**

**Hearing Date: March 7, 2024**

The Maryland Chapter of the Sierra Club urges a favorable report on HB 1256, the DRIVE Act. The DRIVE Act will help transform the regulation of Maryland’s electric utilities and should be adopted. In particular, the DRIVE Act unlocks three important sources of value by requiring time-of-use rates, bidirectional electric vehicle charging, and support for aggregations of distributed energy resources. Furthermore, the DRIVE Act provides important support for the development and use of distributed energy resources to provide distribution grid services. These provisions will help the state achieve the greenhouse gas (GHG) goals embedded in the Climate Solutions Now Act (CSNA) and will help accelerate the energy transition.

#### Time-Based Pricing Can Unleash Grid Value and Save Consumers Money

The DRIVE Act directs the Public Service Commission (PSC) by December 31, 2025, to adopt a transition plan to require each electric company to transition each customer, by September 1, 2028, to an opt-out Time-of-Use (TOU) tariff. Under the Act, the TOU tariff system must (1) establish a sufficient price reduction for off-peak hours compared to peak hours to encourage customers to adjust their electricity usage to off-peak hours and (2) adequately educate and encourage customers to adjust their electricity usage to benefit from lower rates during off-peak hours. In particular, the transition plan must include provisions to ease the transition to a TOU tariff for customers in low- and moderate-income households.

The Sierra Club Maryland Chapter supports the TOU provisions in Section 7-1003 of the Act. As the Act states in 7-1002(2), the introduction of TOU tariffs will help achieve GHG reductions at the same time beneficial electrification is occurring by providing price signals for customers to shift load away from peaks and the use of inefficient peaking resources. In addition, the introduction of TOU tariffs will unlock additional value from key technologies like smart thermostats (utilizing technology such as Nest's Rush Hour Rewards) and batteries by exploiting their capability to shift load. Without time-based pricing, battery energy storage can only provide resilience value by serving electricity needs during outages. With time-based pricing, ratepayers would have an incentive to use batteries to store excess power produced from solar during the middle of the day and then discharge the batteries during later periods of high demand and high peak prices that often occur in the early evening.

Founded in 1892, the Sierra Club is America’s oldest and largest grassroots environmental organization. The Maryland Chapter has over 70,000 members and supporters, and the Sierra Club nationwide has over 800,000 members and nearly four million supporters.

## Bidirectional Electric Vehicles Can Provide Important Grid Benefits

Section 7-1004 of the Drive Act directs the PSC to adopt regulations by April 1, 2025 to establish expedited processes for interconnecting bidirectional electric vehicle systems capable of providing electricity to the electric distribution system (referred to as Vehicle to Grid or V2G); and bidirectional electric vehicle systems that do not provide electricity to the electric distribution system but do provide electricity to a home, business, or other structure serviced by an electric company (referred to as Vehicle to Home or V2H).

This provision of the DRIVE Act is both transformative and innovative. Maryland would join several other states in taking this step.<sup>1</sup> Maryland electric vehicle owners would (1) have an additional source of resilience for their buildings during blackouts, (2) be able to support time-of-day load shifting in their buildings, and (3) have the ability to receive extra monetary benefits by selling grid services. Customer-owned electric vehicle systems would become key resources for the distribution system and help replace fossil-fuel backup power systems.

## The Drive Act Provides Important and Necessary Support for DERs and Aggregations of DERs

Sections 1005 through 1008 of the DRIVE Act establish important policies to promote the use of distributed energy resources (DERs) to provide distribution grid services. Section 1005 directs the creation of an electric distribution system support services pilot program for customer DERs and aggregations of DERs to provide distribution grid services. Section 1006 authorizes the creation of rebates and incentives for customers to adopt on-site technologies that can provide distribution grid services. Section 1007 addresses utility recovery of the costs expended for the pilot program and incentives included in the Act. Finally, Section 1008 specifies that the dispatch of energy storage facilities to provide distribution grid services is not duplicative of any value realized through net energy metering at the same site.

Together, these sections of the DRIVE Act will create the policies necessary to support the provision of distribution grid services by on-site, clean customer-owned resources. The promotion of distributed energy resources and aggregation through regulations and incentives will go a long way to creating the dynamic modern electric system in Maryland envisioned in the CSNA and the PSC's Distribution System Planning workgroup. Facilitating and incentivizing distributed energy resources to provide distribution grid services will improve reliability, reduce energy consumption, and provide monetary benefits that can further support investments in clean distributed energy resources.

The Sierra Club Maryland Chapter particularly supports the clarity included in Section 1008 on storage facilities co-located with net energy metered generation sources. A major national issue associated with the provision of grid services from distributed energy resources is the restrictive net energy metering policies that limit the provision of grid services from battery storage systems located at the same site. Many of these restrictions are driven by concerns about double-counting. Section 1008 makes it clear that Maryland recognizes the value provided by

---

<sup>1</sup> As of September 2023, utilities in California, Colorado, Massachusetts, New Hampshire, New York, North Carolina, and Virginia either allow bidirectional electric vehicle operation or are conducting pilot programs. Smart Energy Power Alliance, *The State of Bidirectional Charging in 2023*, September 2023.

distributed storage to distribution systems and to the wholesale market, and finds that the provision of these grid services is not duplicative. With the passage of the DRIVE Act, Maryland will join states such as Massachusetts that recognize the importance of this issue. Indeed, after Massachusetts made a similar change to their regulations, Sunrun was able to successfully operate a virtual power plant (VPP) in the state.

**In summary**, the DRIVE Act will contribute to achieving Maryland's climate goals and accelerating the state's transition to clean energy by requiring time-of-use rates, bidirectional electric vehicle charging, and support for aggregations of distributed energy resources. The Maryland Chapter of the Sierra Club urges a favorable report on HB 1256.

David Kathan, Ph.D.<sup>2</sup>  
Clean Energy Legislative Team  
dkathan@gmail.com

Josh Tulkin  
Chapter Director  
Josh.Tulkin@MDSierra.org

---

<sup>2</sup> Sierra Club volunteer Dr. David Kathan is a national expert on demand response and distributed energy resources. He recently retired from the Federal Energy Regulatory Commission, where he led the issuance of Order No. 2222 on the aggregation of distributed energy resources. He is also an active participant in the PSC's Distribution System Planning and Interconnection Workgroups on behalf of the Maryland Chapter of the Sierra Club.