

**TESTIMONY TO
WAYS AND MEANS COMMITTEE**

HOUSE BILL 980

An Act Concerning Income Tax – Energy Storage – Alterations

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Chair Kaiser, Vice Chair Washington, Members of the Committee:

Thank you for the opportunity to provide these comments today in support of House Bill 980. My name is Kelly Speakes-Backman and I am the Chief Executive Officer of the U.S. Energy Storage Association. ESA is the national trade association dedicated to energy storage. With more than 190 members, ESA represents a diverse group of companies, including independent power producers, electric utilities, energy service companies, financiers, insurers, law firms, installers, manufacturers, component suppliers, and integrators involved in deploying energy storage systems around the globe. Further, our members work a broad base of energy storage technologies including electrochemical batteries such as lithium-ion, advanced lead-acid, flow, and zinc-air; thermal; mechanical technologies such as compressed air and flywheels; process, chemical, and pumped hydro storage. Several of our members conduct business in Maryland in related fields, and an increasing number are looking to work on storage here. ESA strongly believes that energy storage can open a path to a more resilient, efficient, sustainable and affordable grid for Maryland.

ESA commends the Maryland legislature for its ongoing commitment to break down the barriers to the deployment of energy storage. Over the past several years, the Maryland legislature has passed legislation to study the benefits and barriers to energy storage, launch a storage pilot program to test new regulatory and commercial models, and the first-in-the-nation tax incentive program for customers seeking to deploy energy storage in their homes and businesses. These policies are important first steps in developing a robust energy storage industry in the State, with a wide variety of energy storage technologies, sizes, and applications.

The tax incentive program created by Senate Bill 758 (2017) has been available for customers for two years now and has developed into a robust program. ESA appreciates the Maryland Energy Administration's (MEA) hard work in launching and managing the program. By the end of the 2019 tax year, the program allocated all \$750,000 in tax credits to customers deploying energy storage systems. Overall, we estimate that 2.6 megawatts will be deployed by customers taking advantage of this tax incentive.

I am here today to express ESA's support for HB 980, which aims to enhance the tax incentive program design. While the program has been successful in deploying customer-owned residential energy storage systems that can serve as back up power to Maryland residents, more work is needed to ensure that the program stimulates a variety of ownership models, applications and sizes. In that vein, ESA supports two important revisions to the program.

The first revision clarifies that third-party owned systems are eligible for the tax incentive. Third-party owned systems are the most commonly deployed behind-the-meter advanced energy storage systems, particularly for commercial & industrial (C&I) customers. By installing energy storage systems, these businesses can better ensure their business continuity and participate in demand response programs to the benefit of all ratepayers. These companies have sophisticated software enabling them to participate in the wholesale market and in utility programs with ease.

The second suggested revision would increase the funding available for C&I customers to \$150,000, from \$75,000. As you may know, the program thus far has served residential customers only. Given the importance of C&I sized systems, particularly in serving as non-wires solutions on the distribution system, ESA sees benefit to the State by driving the deployment of this class of customers as well.

We look forward to seeing this program's continued success by broadening its impact. We believe the Maryland storage tax incentive program can serve as a model for other states looking to advance an energy storage market, and we look forward to working with all the stakeholders to make the most of this important program.

I thank you for your leadership and your consideration.