SB 603

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 603 (Senator Edwards)
Finance

Electricity - Renewable Energy Portfolio Standards - Sources

This bill requires at least 51% of renewable energy credits (RECs) used to satisfy *new* legislative increases to the State Renewable Energy Portfolio Standard (RPS) to be from in-state sources. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Maryland's RPS was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. It operates on a two-tiered system with carve-outs for solar energy and offshore wind energy and corresponding RECs for each tier. Tier 1 sources include wind, geothermal, solar, and several others. Following the transfer of several sources to Tier 1, Tier 2 includes only large hydroelectric power plants. Legislation enacted in 2017 increased the Tier 1 percentage requirements from 20% by 2022 to 25% by 2020. The 2018 requirement is 15.8%, including 1.5% from solar.

Electric companies (utilities) and other electricity suppliers must submit RECs equal to a percentage specified in statute each year or else pay a penalty equivalent to their shortfall. Revenue from the penalties, which historically has been zero or minimal in any given year, accrues to the Strategic Energy Investment Fund and is used by the Maryland Energy Administration to support new Tier 1 renewable energy sources in the State.

According to the Public Service Commission, from 2014 through 2016, about 23% of RECs used for RPS compliance have been generated in the State.

Additional Comments: The Department of Legislative Services advises that in the event of an RPS increase to an amount above the current level of 25%, electricity suppliers could substitute out-of-state RECs for in-state RECs to meet some of the existing 25% requirement and then use the available in-state RECs to comply with the bill. Under this scenario, the bill does not necessarily increase the number of in-state RECs used for RPS compliance.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Public Service Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2018
mm/lgc

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