STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

March 1, 2022

Chair Delores G. Kelley
Finance Committee
Miller Senate Office Building, 3 East
Annapolis, MD 21401

RE: INFORMATION – SB 733 – Community Solar Energy Generating Systems Pilot Program – Alterations

Dear Chair Kelley and Committee Members:

Senate Bill 733 removes the requirement for Community Solar Energy Generating Systems to be located in the same electric service territory as its subscribers. As the agency that oversees implementation of the CSEGS pilot, the Maryland Public Service Commission offers the following observations regarding SB 733, which will be difficult to implement prior to the scheduled conclusion of the pilot in two years.

SB 733 requires distinct Maryland Utilities to develop a protocol for providing credits across service territories and to file these changes with the Commission by November 1, 2022. Three months later, the Commission would have to amend or approve this protocol (by January 31, 2023). Instead of this compressed timeframe, a comprehensive review of these issues would be more appropriate for consideration once the CSEGS pilot report is delivered to the General Assembly.

As designed, a CSEGS generates electricity to customers in the service territory where it is located. Because the customers and the solar facility are in the same territory, an electric company uses CSEGS generation to offset purchases from wholesale electricity suppliers. If a subscriber and the solar facility are in different service territories, this offset is no longer possible. For a subscriber located in a different service territory, the host electric utility would still have to purchase the Standard Offer Service supply because there is no offset to load in its territory. Furthermore, the price a utility pays to purchase SOS supply differs across service territories because energy prices and transmission prices are both locational and continuously changing. To implement SB 733, the Commission would need to create a complex crediting

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system between utility service territories to appropriately trade the differing values of purchased SOS and CSEGS generation.

For example, currently when a CSEGS is built in Utility A, where the cost of SOS is 8 cents per kWh, the utility can offset its SOS purchases for customers in its territory and will save 8 cents per kWh. However, under SB 733, if the subscriber lives in a different service territory, Utility B, where the cost of SOS is 10 cents per kWh, then Utility B will be crediting the subscriber 10 cents per kWh for their CSEGS output. Meanwhile, the savings in Utility A will only be 8 cents per kWh. Other customers will need to make up this difference and subsidize this "foreign" customer. In effect, SB 733 would create cross subsidization that does not currently exist in the community solar pilot program. This proposal would also create complications at the wholesale market level by passing costs between PJM load zones and involving PJM in a new set of transactions.

Creating a process to address this cost difference would require substantial time and resources and necessitate policy determinations as to who should bear the increased costs of administration and the difference in CSEGS output and SOS values. Workgroup meetings, rulemakings, and hearings would be necessary to implement the changes SB 733 requires. As proposed, the timeline is insufficient to consider the myriad of issues involved. Additionally, such a drastic change at this late stage in the pilot could compromise the Commission's ability to assess the impacts and learnings from the CSEGS pilot.

The Commission appreciates the opportunity to provide information on SB 733. Please contact Lisa Smith, Director of Legislative Affairs, at (410) 336-6288 if you have any questions.

Sincerely,

Jason M. Stanek
Chairman