STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

March 5, 2024

Chair C.T. Wilson
Economic Matters Committee
Room 231 House Office Building
Annapolis, MD 21401

RE: **HB 1435 – Information - Renewable Energy – Net Energy Metering Aggregation, Solar Renewable Energy Credits, and Taxes on Solar Energy Generating Systems (Brighter Tomorrow Act)**

Dear Chair Wilson and Committee Members:

HB 1435 adds new sections to the Public Utilities Article (PUA) and the Property Tax Article, and impacts the Public Service Commission (PSC) in various different ways. The PSC provides the following informational comments on Senate Bill HB 1435 for your consideration.

First, HB 1435 adds § 7-306(8) and § 7-306(8)(I) to the PUA to increase the maximum size of a solar net metered facility that is meter aggregated from 2 MW to 5 MW, and allows a customer-generator participating in meter aggregation to receive excess generation from more than one generating facility, even if the combined capacity of the facilities is over 5MW. This increase in the size of aggregated projects will allow larger projects to qualify as net metered facilities, which will increase the number and size of projects, and may result in the State reaching the net metering cap of 3,000MW sooner than anticipated.[1] The definition of an aggregated net metering facility in § 7-306.3 of the PUA states that eligible customer generators are those that use electrical service for agriculture, non-profit organizations, a municipal or county government, a unit of State government, or is a public higher education facility. Therefore, if aggregated facilities are authorized to be larger, it would be expected that more commercial customers would begin to become customer generators and net metered customers, possibly limiting residential participation. The proposed legislation in § 7-306(8)(I) also allows a customer-generator participating in meter aggregation to receive excess generation from more than one generating facility, even if the combined capacity of the facilities is over 5MW. This section does not have a maximum capacity limit, meaning that multiple 5MW projects could be combined to virtually create a much larger facility. These eligible customer-generators may, therefore, use up large portions of the net metering capacity limit which otherwise might have

[1] As of June 30, 2023, the State has 1,135 MW of installed net metered capacity

WILLIAM DONALD SCHAEFER TOWER · 6 ST. PAUL STREET · BALTIMORE, MARYLAND 21202-6806
410-767-8000 · Toll Free: 1-800-492-0474 · FAX: 410-333-6495
MDRS: 1-800-735-2258 (TTY/Voice) · Website: www.psc.state.md.us

been used to benefit residential customers or small businesses. A reasonable capacity limit on these facilities could alleviate this concern.

Second, HB 1435 adds § 7-709.1 to the PUA which requires the Commission to establish a Small Solar Energy Generating System Incentive Program. This section provides that solar generation that qualifies for the program can receive up to 150% or 200% (depending on the size of the system) of SRECs towards meeting the solar carve-out requirement of the RPS program. This provision poses serious compliance concerns. In the current RPS construct, 1 SREC is equal to 1 MWh of renewable generation. Under the proposed legislation, a hypothetical solar system that produces 1 MWh of generation and is certified under the Program could receive 1.5 to 2 SRECs towards meeting the Renewable Portfolio Standard. In other words, a qualifying system that is producing 1 MWh of solar generation would receive SRECs equivalent to producing 2 MWh of generation, even though the system would still be producing 1 MWh of solar generation in actuality. This could create a disparity between the amount of renewable generation that the SRECs are recording in the State via the RPS, and the actual amount of renewable generation that is being produced in the State. Furthermore, a solar generator under the existing programs cannot apply for SRECs beyond what the system can generate. The PJM Generation Attribute Tracking System (GATS), which is used to trade SRECs to satisfy the Maryland RPS requirements, would not recognize these extra SRECs proposed by this legislation. The Commission would need to create an administrative process to account for the extra RECs given to these systems in a different way than what is currently being used.

Additionally, § 7-709.1 provides that the SRECs provided under the program will exist for 5 years, which is different than the current 3-year life cycle for SRECs. The 5-year life of SRECs created under this program will make ensuring compliance with the RPS more complex, as all other SRECs have a 3-year life.

Third and final, the proposed legislation has an effective date of June 30, 2024. This deadline does not afford the Commission sufficient time to implement the requirements of the bill, which will likely require procuring the services of an independent contractor, promulgating any necessary regulations, or hiring additional staff. Accordingly, the legislation should extend the effective date of the legislation by 12 months, or specify deadlines for individual provisions of the bill.

The Commission asks that you consider these comments when reviewing HB 1435. We will continue to work with stakeholders on the language of HB 1435. Please direct any questions you may have to Christina Ochoa, Director of Legislative Affairs, at christina.ochoa1@maryland.gov.

Sincerely,

Frederick H. Hoover

Frederick H. Hoover, Chair
Maryland Public Service Commission