



February 13, 2025

Senator Brian Feldman
Chair
Education, Energy, Environment Committee
2 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Senator Cheryl Kagan
Vice Chair
Education, Energy, Environment Committee
2 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

RE: SEIA Support for SB316: Abundant Affordable Clean Energy - Procurement and Development (AACE Act)

Chair Feldman, Vice Chair Kagan, and Members of the Senate Education, Energy, and Environment Committee:

I am writing on behalf of the Solar Energy Industries Association (SEIA) in **support** of SB316 (Brooks), also known as the Abundant Affordable Clean Energy (AACE) Act. It was referred to the Senate Education, Energy, and Environment Committee on January 13, 2025.

Founded in 1974, SEIA is the national trade association for the solar and storage industries, building a comprehensive vision for the advancement of these technologies. SEIA is leading the transformation to a clean energy economy by supporting policy measures that will drive the needed investment in clean, domestic, local job-producing solar generation. We work with our 1,200+ member companies, which include solar manufacturers, service providers, residential, community and utility-scale solar developers, installers, construction firms, and investment firms, as well as other strategic partners, to shape fair market rules that promote competition and the growth of reliable, low-cost solar power. Maryland is home to more than 200 solar businesses with many more national firms also conducting business in the state.

Maryland Energy Landscape

After a history of flat, or even declining, electricity consumption, the U.S. power grid is currently experiencing the largest demand growth in eighty years, due to new manufacturing facilities as well as cutting-edge American innovations in artificial intelligence, data centers, and cryptocurrency mining. This increase in electricity demand is occurring faster than new generation is being brought online. As a result, Maryland now faces significant increases in costs to energy consumers after decades of relatively stable electricity costs. This spike is exemplified by the recent 2025/2026 PJM capacity auction that saw an 800% increase from previous years, which will eventually be passed on to Maryland ratepayers as a portion of their utility bill.¹

¹ Office of People's Counsel. "Bill and Rate Impacts of PJM's 2025/2026 Capacity Market Results & Reliability Must-Run Units in Maryland." August 2024. <https://opc.maryland.gov/LinkClick.aspx?fileticket=keJs-QqaLr0%3D&tabid=63&portalid=0&mid=1480>

The mismatch in electricity supply and forecasted demand is in large part attributable to years of policy decisions and inactions at PJM, the regional transmission organization and independent system operator that manages the electric transmission grid for thirteen states and the District of Columbia, including Maryland. The PJM interconnection queue is currently so backlogged that, in 2023, PJM announced it would cease to accept applications for new generation projects. As a result, PJM now has a roughly 5 year wait time from application to approval for new generation sources coming online, resulting in hundreds of gigawatts (GW) of planned capacity, largely wind, solar, and storage assets, sitting in limbo rather than being able to service Maryland’s electric load requirements. Given this delay, projects which were ready to be deployed at the time of their application are often no longer viable due to changing economic realities by the time of their approval.

Maryland is reliant on electricity generation from the other PJM states. In 2023, the state imported approximately 40% of its electricity.² Meeting Maryland’s energy needs and staving off continued dramatic increases in energy costs will require the rapid deployment of an “all of the above” energy strategy. Such a strategy must include solar and energy storage assets, which are among the only energy resources currently primed to cost effectively address the state’s near-term energy challenges. In 2023, solar made up the majority of additions to the U.S. electric grid, accounting for 55% of all new generation capacity, due, in part, to the 37% decrease in the price of solar photovoltaics over the last decade.³ Utility scale solar, along with onshore wind, continue to be the cheapest sources of new electricity generation in the United States, beating out the cost of coal and fossil gas-fired generation.⁴ However, Maryland’s current Renewable Energy Portfolio Standard (RPS), despite being amended multiple times since its enactment, is no longer the right policy framework to meet Maryland’s near-term resource adequacy needs.

Maryland’s Broken RPS

When Maryland’s RPS was first enacted twenty years ago, the newly created renewable energy credits (RECs) were a powerful tool in jumpstarting renewable energy generation in the state. RECs are a market-based instrument that represent the social and other non-power attributes of renewable electricity generation. RECs are issued when 1 megawatt-hour (MWh) of electricity is generated from a renewable energy resource and are acquired by the electric load serving entities (utilities and retail energy suppliers) to show compliance with the RPS. Maryland’s RPS also created a carveout for meeting solar-specific targets, thus creating the Solar Renewable Energy Credit (SREC). To comply with Maryland’s RPS, electricity suppliers must acquire RECs derived from Maryland-certified Tier 1 and Tier 2 renewable sources, with the

² United States Energy Information Administration. Maryland State Profile. <https://www.eia.gov/state/analysis.php?sid=MD>.

³ Wood Mackenzie Power & Renewables and Solar Energy Industries Association. U.S. Solar Market Insights Report. December 2024.

⁴ Lazard. Levelized Cost of Energy+. June 2024. <https://www.lazard.com/research-insights/levelized-cost-of-energyplus/>.

state's 14.5% solar carveout being a subset of Tier 1. Not meeting the necessary RPS requirements obliges Maryland's electric load serving entities to pay an alternate compliance payment (ACP) penalty.

In recent years Maryland's RPS obligations have increasingly been satisfied by ACPs, with the \$300 million paid in ACPs in 2023 being the largest in the history of Maryland's RPS. This dramatic rise in ACP payments represents a shift in how electricity suppliers comply with Maryland's RPS obligations, electing to pay ACPs rather than retire RECs due to the inability to purchase RECs at prices lower than the ACP. As a result, Maryland ratepayer dollars are funneled away from directly investing in new renewable energy generation and towards ACP penalties, which are deposited into the Maryland Strategic Energy Investment Fund.

AACE Act Summary

The AACE Act addresses the cost and administrative inefficiencies of Maryland's current RPS by providing a new pathway for linking in-state electric consumption with in-state electricity generation and establishing a methodology to right-size incentives for new solar energy projects, rather than taking a "one-size fits all" approach as currently exists in Maryland's SREC market, where a single REC equates to 1 MWh of electricity generation. AACE's SREC-II and REC-II acknowledges the needs of the different solar market segments and project types by ensuring individual projects can receive the incentives they need to come online, while ensuring unneeded incentives are not passed through to ratepayers.

Under AACE, utility-scale projects will be issued a guaranteed fixed price contract by the Maryland Public Service Commission (PSC), subject to competitive procurement bids including cost-benefit analyses, other criteria such as brownfield siting, and a requirement that projects directly serve Maryland load. This process minimizes cost to ratepayers while ensuring the project is economically viable. The procurement also includes labor protections and community benefit agreements. SREC-II and REC-IIs are subsequently issued to these projects, which will operate to make up the difference between the fixed price issued by the PSC and market price sales for electricity to ensure project viability. This approach to utility-scale incentive-setting has been successful in other states, including Massachusetts, New Jersey, and Illinois. AACE's language builds on these proven successes.

Distribution scale solar projects are subject to an Administratively Determined Incentive (ADI) set by the PSC. ADIs are set for projects within given capacity blocks – groupings of market sectors – to ensure broad growth of distributed generation across the state. Through setting the value of an ADI, the PSC can tailor the incentive amount a given project receives for each of the identified market sectors, allowing for a balancing between the amount of incentives required to promote market growth across the sectors, without overly burdening ratepayers with incentive costs that exceed economic requirements for development. As is the case with competitive procurement for utility scale projects, the ADI model has been successful in other states to ensure ratepayer protection alongside promoting renewable generation construction to meet the state's load.

AACE prioritizes SREC-IIs (both from utility and distributed scale projects) and REC-IIs for purchase by Maryland electricity suppliers when they seek to meet their obligation under the RPS. AACE then prioritizes



legacy SRECs, and finally, to meet any outstanding obligations under the RPS, sellers can purchase historic RECs from the PJM REC market. In such fashion, AACE ensures that incentive costs passed through to Maryland ratepayers are going to pay for projects that meet the state's energy requirements.

The AACE Act also directs the PSC to create a competitive procurement process in 2026 and 2027 for up to 1,600 MW of in-state battery storage projects, which are already projected to secure PJM queue approval in those years. Importantly, AACE provides a pathway for these projects to be operational *in this decade*. These projects will be constructed in Maryland, and serve Maryland's peak demand – alleviating the need for comparatively more expensive “peaker” plants. These projects are also eligible to bid into the PJM capacity market which can, in part, alleviate soaring capacity market costs. AACE's competitive storage procurement process includes significant cost-benefit analyses as a part of any project application to ensure the lowest cost to ratepayers, as well as a CPCN-equivalent to ensure rapid deployment upon approval by the PSC. This procurement process includes significant labor protections, including the requirement for community benefit agreements, which include guarantees for hiring practices and wage provisions to ensure Maryland's workforce benefits from these projects. AACE also creates a pathway for the deployment of 150 MW of new in-state distribution-connected energy storage assets, not subject to the delays of the PJM interconnection queue.

Importantly, the AACE Act also provides several pathways to ensure that Maryland ratepayers are protected from rising electric utility bills. It directs the Maryland Energy Administration to supervise an escrow account that will be created to direct certain funds from electricity costs back to ratepayers. The PSC will oversee transparency and security of these funds. ACPs from the legacy RPS/REC system will be directed to this escrow account rather than the Strategic Energy Investment Fund, returning the ACP pass-through costs to ratepayers. Similarly, AACE directs 75% of total franchise, sale, and use taxes from qualifying data centers, which are major drivers of increased electric demand that in turn increase ratepayer utility bills, to be contributed to this escrow account.

The AACE Act provisions allow for project flexibility and targeted incentives to spur solar development, ensuring that energy projects will directly benefit the state's energy requirements and directly benefit ratepayers. AACE's pathway allows for the flexibility to respond to future energy demands, and provides near-term solutions to Maryland's resource adequacy challenges. For these reasons, SEIA strongly **supports** this legislation and respectfully urges the Committee to issue a favorable report on SB316. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Leah Meredith

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