HB 700

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 700 (Delegate Hecht, *et al.*)
Economic Matters

Renewable Energy Portfolio Standard - Renewable Energy Credits - Solar Hot Water Systems

This bill enables a person who owns and operates a solar hot water system to receive renewable energy credits equal to the amount of electricity saved by using a solar hot water system. The Public Service Commission (PSC) is required to develop a method for estimating annual energy savings from a solar hot water system and must determine the rate for payment to an owner of a system for the renewable energy credits. A renewable energy credit from a solar hot water system may be transferred and applied to either Tier 1 or Tier 2 renewable portfolio standard (RPS) requirements. The minimum contract term for purchase of these credits is seven years and the purchase must be made with a single initial payment representing the full estimated energy savings for the life of the contract.

Fiscal Summary

State Effect: None. The bill can be implemented using existing budgeted resources.

Local Effect: None.

Small Business Effect: Potential significant.

Analysis

Current Law: A renewable energy credit is a tradable commodity representing the renewable energy generation attributes of one megawatt hour of electricity. Renewable energy credits are awarded to operators who generate electricity using specified renewable energy sources. A renewable on-site generator of electricity owns and may

sell or transfer renewable energy credits to another party. Renewable energy credits are not awarded for electricity conservation measures.

Background: RPS is a policy that requires retail suppliers of electricity to meet a portion of their energy supply needs with eligible forms of renewable energy. Maryland's RPS was established in 2004 in order to recognize the economic, environmental, fuel diversity, and security benefits of renewable energy resources; establish a market for electricity from those resources in Maryland; and lower consumers' cost for electricity generated from renewable sources. An electricity supplier must meet RPS by accumulating "renewable energy credits" created from various renewable energy sources classified as Tier 1 and Tier 2 renewable sources. Examples of Tier 1 sources include solar, wind, geothermal, and poultry litter incineration. Examples of Tier 2 sources include hydroelectric and waste-to-energy.

Solar hot water systems are an effective way of reducing household use of electricity. Although conventional water heaters may be required for backup, operating costs of solar hot water systems are significantly lower than conventional systems. Conventional water heater fuel sources include natural gas, propane, fuel oil, and electricity.

Small Business Effect: The bill provides a significant benefit to small businesses that sell and install solar hot water systems. An individual who owns a hot water system is granted ownership of renewable energy credits for that system which are then sold to offset a portion of the cost of installing such a system. Small businesses that install solar hot water systems benefit because the sale of the renewable energy credits for each system lowers the total cost of installation.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 23, 2009
mcp/rhh

Analysis by: Erik P. Timme

Direct Inquiries to:
(410) 946-5510
(301) 970-5510