

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 515
Finance

(Senators Lenett and Rosapepe)

The Renewables First Act

This bill includes a statement of State energy policy goals necessary to achieve adequate, reliable, environmentally sound, and affordable electrical power supplies. In order to meet increasing demand, the State should first focus on energy efficiency, conservation, and demand response. The need for new generation should first be met with renewable resources. If reducing demand for electricity and increasing renewable energy generation are unable to satisfy new energy and capacity needs, those needs should be met by clean and efficient fossil-fired or nuclear electricity generation. The bill requires a person applying for a certificate of public convenience and necessity (CPCN) or an exemption from the CPCN requirement to include a written statement that demonstrates how the project complies with or furthers the goals and priorities included in the bill. The Public Service Commission (PSC) must post the statements on its web site.

Fiscal Summary

State Effect: The bill's requirements can be handled with existing resources.

Local Effect: None.

Small Business Effect: Potential meaningful benefit for small businesses involved with development of electric generation from renewable sources.

Analysis

Bill Summary: The General Assembly finds that it is the policy of the State to ensure that adequate, reliable, and reasonably priced electrical power supplies, including prudent reserves, are achieved and provided through policies, strategies, and actions that are cost-effective and environmentally sound for Maryland's consumers and taxpayers.

Maryland's energy growth should be met while optimizing energy conservation and resource efficiency and reducing per capita electricity demand. Reliable, affordable, and high-quality power supplies should be ensured for all who need it in all regions of the State by building or acquiring sufficient new generation facilities. The State's goal for renewable energy generation should be encouraged and accelerated and the State's electricity transmission and distribution infrastructure should be upgraded and expanded to meet the need for reliable energy, connect with new supply sources, and reduce the cost of energy. Furthermore, customer- and utility-owned distributed energy should be promoted.

An affordable supply of electricity should be achieved by including resources that balance the need for low prices; low-price volatility; environmental improvement; technological development; economic growth; and job growth. To meet the policy goals included in the bill, actions taken by the State to address the increasing need for energy should be prioritized as follows:

- (1) strategies for increasing energy conservation, energy efficiency, and demand response to minimize increases in electricity and natural gas demand are the State's preferred means of meeting growing energy needs;
- (2) generation from renewable energy sources;
- (3) new distribution and transmission infrastructure; and
- (4) to the extent that energy conservation, energy efficiency, demand response, and renewable energy sources are unable to satisfy new energy and capacity needs, those needs should be met by clean and efficiency fossil-fired or nuclear electricity generation.

Current Law/Background:

Energy Efficiency

The EmPOWER Maryland Energy Efficiency Act of 2008 (Chapter 131), requires electric companies to procure and provide customers with energy conservation and

energy efficiency programs and services that are designed to achieve targeted electricity savings and demand reductions for specified years through 2015. Electric company plans must include program descriptions, anticipated costs, projected electricity savings, and other information PSC requests. Electric companies must consult with the Maryland Energy Administration (MEA) regarding cost recovery, program design, and adequacy to meet the target reductions. PSC must review the plans for adequacy and cost effectiveness in achieving the electricity savings and demand reduction targets.

Renewable Energy

Under the Renewable Energy Portfolio Standard (RPS) established in State law, an electricity supplier must accumulate renewable energy credits (commodities equal to the renewable energy generation attributes of one megawatt-hour of electricity) created from specified renewable energy sources and equivalent to specified percentages of the supplier's electricity sales. If an electricity supplier does not accumulate enough renewable energy credits to meet the standard, it must pay compliance fees.

RPS was created with the intent of recognizing the economic, environmental, fuel diversity, and security benefits of renewable energy resources, establishing a market for electricity from those resources in Maryland, and lowering consumers' cost for electricity from renewable sources. RPS is implemented by PSC and applies to all retail electricity sales in the State by electricity suppliers, subject to certain exceptions.

Other renewable energy-related policies/efforts in the State include:

- the Maryland Strategic Energy Investment Program (Chapters 127 and 128 of 2008) – established to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy to fuel the State's future prosperity; and
- the Maryland Clean Energy Center (Chapter 137 of 2008; launched in January 2009) – established to generally promote and assist the development of the clean energy industry in the State; promote the deployment of clean energy technology in the State; and collect, analyze, and disseminate industry data.

Construction of Electric Generating Facilities

The licensing of new electric power plants or overhead transmission lines in the State is a comprehensive two-part process involving PSC and several other State agencies, including the Department of Natural Resources (DNR) and the Maryland Department of the Environment. PSC is the lead agency for licensing the siting, construction, and

operation of power plants in the State. Companies wishing to construct a new power plant or an overhead transmission line must apply to PSC for a CPCN.

In an application for a CPCN, PSC must consider the recommendation of the local government in which the generating facility or overhead transmission line may be located. PSC must also consider the effect of the generating station or overhead transmission line on (1) the stability and reliability of the electric system, economics, aesthetics, historic sites, aviation safety, air and water pollution; and (2) the availability of means for the required timely disposal of wastes produced by any generating facility. Also, for the construction of any overhead transmission line, the commission must consider the need to meet existing and current demand for electric service.

Net Energy Metering

The net energy metering program provides an incentive for private investment in small distributed renewable energy generation. Net energy metering requires electric companies to bill an eligible customer-generator for the net difference between the amount of electricity that is consumed and the amount fed back to the electric company over the eligible customer-generator's billing period. An "eligible customer-generator" is a customer that owns and operates, or leases and operates, a biomass, solar, wind, or micro combined heat and power electric generating facility located on the customer's premises or contiguous property; interconnected and operated in parallel with an electric company's transmission and distribution facilities; and intended primarily to offset all or part of the customer's own electricity requirements.

Under net metering, in times of peak generation, excess electricity produced by a customer-generator is fed into the electric grid and the customer-generator is only charged for the net difference of electricity used each month. The practical effect is that customer-generators are able to use the utility grid as battery storage, so excess energy produced at any given instant can be captured for later use. Small distributed electric generation provides a meaningful benefit to all electric customers by alleviating congestion in electric transmission lines and lessening overall demand for electricity during periods of peak demand.

Based on data submitted by electric companies, there are currently over 1,000 customer-generators in the State participating in net metering and approximately 90% of these customer-generators have solar installations. Over 55% of customer generators have 4 kilowatts or less of generating capacity and over 90% of customer-generators have 10 kilowatts or less of generating capacity.

State Fiscal Effect: PSC, DNR, and MEA, the primary agencies involved in programs to increase the generation of renewable energy in the State and encourage energy

efficiency programs, can implement the bill's requirements with existing budgeted resources.

Small Business Effect: The bill establishes that renewable energy generation in the State should be considered before other forms of generation. Small businesses involved with the construction and installation of solar, wind, and other renewable energy sources stand to benefit from the State energy policy goals stated in the bill.

Additional Information

Prior Introductions: SB 867 of 2009 received an unfavorable report from the Senate Finance Committee.

Cross File: None.

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

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