

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 258
Economic Matters

(Delegate Haddaway-Riccio)

Finance

Renewable Energy Portfolio Standard - Sale or Transfer of Solar Renewable
Energy Credits - Minimum Required Term

This bill removes the 15-year minimum duration requirement for contracts between an electricity supplier and a renewable on-site generator with a capacity not exceeding 10 kilowatts for the purchase of solar renewable energy certificates (SRECs) to meet the solar component of the Tier 1 Renewable Energy Portfolio Standard (RPS).

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: The bill does not materially affect local finances or operations.

Small Business Effect: Minimal or none.

Analysis

Current Law: An “electricity supplier” means a person who sells electricity, electricity supply, billing, or metering services, or who purchases, brokers, arranges, or markets electricity supply services for sale to a retail electric customer. It also includes electric companies, which physically transmit or distribute electricity in the State.

If an electricity *supplier* purchases SRECs *directly* from a renewable on-site generator with a capacity not exceeding 10 kilowatts (level 1 solar facility), it must be under a 15-year contract with a single upfront payment. Solar generators must offer SRECs for sale to a State electricity supplier that must apply them toward RPS compliance prior to offering them for sale to any other buyer (SREC brokers or other state electricity

suppliers). Regulations adopted by the Public Service Commission (PSC) (COMAR 20.61.02.03D(4)) specify that if an SREC posted on an approved website is not sold to a State electricity supplier within 10 business days after posting, SREC may be sold to any willing buyer, though the minimum contract duration provision still applies to sales between a level 1 solar facility and an electricity supplier.

Background: Current law prohibits a level 1 solar facility from entering into a contract with an electricity supplier for less than 15 years. However, current law does *not* prohibit a level 1 solar facility from entering into a contract of less than 15 years with an SREC broker, after offering SRECs to electric suppliers and electric companies on the PSC website for 10 days. Nor does current law prohibit the transfer of SRECs purchased from a level 1 solar facility by a broker to an electric company. PSC advises that it is not aware of any supplier currently signing 15 year contracts. Thus, a level 1 solar facility may sell SRECs to a broker, who will in turn sell them to the electricity supplier. The fee charged by the brokers in this case is an increase in compliance costs for the solar portion of the State RPS, which is ultimately borne by ratepayers. This is mitigated by eliminating the minimum contract duration provision in current law.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 2, 2012
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