Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Joint Resolution 6 (Senator Benson)
Finance

Federal Energy Regulatory Commission Order

This joint resolution urges the Federal Energy Regulatory Commission (FERC) to reverse its December 19, 2019 order concerning the expanded application of PJM's Minimum Offer Price Rule (MOPR) and allow states to develop their own state-preferred resource programs to meet their policy needs and legislative mandates.

Fiscal Summary

State Effect: The joint resolution does not directly affect State finances or operations.

Local Effect: The joint resolution does not directly affect local government finances or operations.

Small Business Effect: None.

Analysis

Current Law/Background: As noted in the preamble, on December 19, 2019, FERC issued its long-awaited order in the PJM Reliability Pricing Model Capacity dockets. PJM is the regional grid operator that serves Maryland and several other surrounding states. The order would require that PJM's MOPR be applied to all resource types offered on the capacity market, with few exceptions to address state-preferred generation resources. The order targets and effectively nullifies new programs and resources supported by states to meet their policy needs and legislative mandates, including Maryland's Renewable Energy Portfolio Standard (RPS). To that end, multiple units of State government as well as representatives of other states have filed requests for rehearing with FERC.

As further described in the joint resolution's preamble, unless exempted, state-supported renewable resource types would be significantly impacted by the application of the revised MOPR, while resources receiving federal support would not. The order may impair or impact existing and planned renewable generation, including one of Maryland's two approved offshore wind projects, and other existing or prospective renewable or clean energy programs and policies, such as those to promote carbon capture, or the State's nascent energy storage pilot program.

Further, electricity customers would be exposed to higher capacity costs as a result of load serving entities having to buy more capacity than necessary, and buying that capacity at higher prices. Relatedly, the cost of complying with Maryland's RPS requirements will increase as renewable generators lose a portion of their revenue stream and seek to make up the difference through renewable energy credit (REC) prices.

Minimum Offer Price Rule

In short, the new MOPR will prevent nonexempt resources from bidding into capacity auctions at prices that reflect their costs net of State subsidies. Doing so has two primary effects. First, renewable resources will be less likely to clear capacity auctions, and therefore receive capacity payments; some of that foregone revenue will be recouped through higher REC prices. Second, the capacity market clearing price will increase, which means overall capacity payments will also increase. Both costs will ultimately be borne by ratepayers in the State.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2020
an/lgc

Analysis by: Stephen M. Ross

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