A BILL ENTITLED

AN ACT concerning

Electricity – Standard Offer Service – Renewable Energy

FOR the purpose of requiring an electric company to contract for renewable energy credits and electricity generated from certain Tier 1 renewable sources to meet a portion of the renewable energy portfolio standard for the electric company; authorizing an electric company to receive annual remuneration for contracts; authorizing an electric company to account for the purchase of contracts as a regulatory asset, but prohibiting the collection of an additional return on the regulatory asset; requiring an electric company to submit contracts to the Public Service Commission for review and approval; requiring an electric company to sell purchased energy into the wholesale spot market; requiring an electric company to sell certain renewable energy credits and solar renewable energy credits; requiring that renewable energy credits, solar renewable energy credits, and electricity be used to meet a certain portion of the renewable energy portfolio standard for electricity provided to standard offer service customers; and generally relating to standard offer service and renewable energy.

BY repealing and reenacting, without amendments,

Article – Public Utilities
Section 7–701(a) and (s)
Annotated Code of Maryland
(2020 Replacement Volume and 2021 Supplement)

BY adding to

Article – Public Utilities
Section 7–703.1
Annotated Code of Maryland
(2020 Replacement Volume and 2021 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW. [Brackets] indicate matter deleted from existing law.
Article – Public Utilities

7–701.

(a) In this subtitle the following words have the meanings indicated.

(s) “Tier 1 renewable source” means one or more of the following types of energy sources:

(1) solar energy, including energy from photovoltaic technologies and solar water heating systems;

(2) wind;

(3) qualifying biomass;

(4) methane from the anaerobic decomposition of organic materials in a landfill or wastewater treatment plant;

(5) geothermal, including energy generated through geothermal exchange from or thermal energy avoided by, groundwater or a shallow ground source;

(6) ocean, including energy from waves, tides, currents, and thermal differences;

(7) a fuel cell that produces electricity from a Tier 1 renewable source under item (3) or (4) of this subsection;

(8) a small hydroelectric power plant of less than 30 megawatts in capacity that is licensed or exempt from licensing by the Federal Energy Regulatory Commission;

(9) poultry litter–to–energy;

(10) waste–to–energy;

(11) refuse–derived fuel;

(12) thermal energy from a thermal biomass system; and

(13) raw or treated wastewater used as a heat source or sink for a heating or cooling system.

7–703.1.

(A) THIS SECTION DOES NOT APPLY TO AN ELECTRIC COOPERATIVE THAT CHOOSES TO CONTINUE TO SUPPLY ITS STANDARD OFFER SERVICE LOAD THROUGH
A PORTFOLIO OF BLENDED WHOLESALE SUPPLY CONTRACTS AND OTHER
APPROPRIATE ELECTRICITY PRODUCTS AND STRATEGIES IN ACCORDANCE WITH §
7–510(C)(8) OF THIS TITLE.

(B) NOTWITHSTANDING § 7–510 OF THIS TITLE OR ANY REGULATION OR
ORDER UNDER THIS TITLE, BEGINNING IN 2023, AN ELECTRIC COMPANY SHALL
CONTRACT FOR RENEWABLE ENERGY CREDITS AND ELECTRICITY GENERATED
FROM ENERGY FROM A TIER 1 RENEWABLE SOURCE UNDER § 7–701(S)(1), (2), (5),
(6), OR (8) OF THIS SUBTITLE TO MEET A PORTION OF THE ELECTRIC COMPANY’S
RENEWABLE ENERGY PORTFOLIO STANDARD IN ACCORDANCE WITH SUBSECTIONS
(C) AND (D) OF THIS SECTION.

(C) (1) AN ELECTRIC COMPANY SHALL:

(I) SOLICIT BIDS FOR A CONTRACT UNDER SUBSECTION (B) OF
THIS SECTION FROM RENEWABLE ENERGY FACILITIES THAT WILL BE PLACED INTO
SERVICE WITHIN 3 YEARS AFTER THE DATE OF THE SOLICITATION;

(II) USE A COMPETITIVE PROCUREMENT PROCESS TO AWARD
THE CONTRACT;

(III) RECEIVE ANNUAL COMPENSATION EQUAL TO 1% OF THE
ANNUAL PAYMENTS UNDER THE CONTRACT TO COMPENSATE THE ELECTRIC
COMPANY FOR ACCEPTING THE FINANCIAL OBLIGATION OF THE LONG–TERM
CONTRACT; AND

(IV) BE ENTITLED TO ACCOUNT FOR THE PURCHASE OF
RENEWABLE ENERGY GENERATION UNDER THIS SECTION, INCLUDING THE SOLAR
ENERGY AND RENEWABLE ENERGY CERTIFICATES, AS A REGULATORY ASSET
RATHER THAN AS DEBT.

(2) THE COMMISSION MAY EXTEND THE IN–SERVICE DATE
REQUIREMENT UNDER PARAGRAPH (1)(I) OF THIS SUBSECTION BY UP TO 1 YEAR
FOR GOOD CAUSE.

(3) THE TERM OF A CONTRACT UNDER SUBSECTION (B) OF THIS
SECTION SHALL BE FOR AT LEAST 10 YEARS AND NOT MORE THAN 20 YEARS.

(4) (I) BEFORE AWARDING A CONTRACT UNDER THIS SUBSECTION,
AN ELECTRIC COMPANY SHALL:

1. SUBMIT THE CONTRACT TO THE COMMISSION FOR
REVIEW; AND
2. RECEIVE THE COMMISSION’S APPROVAL OF THE CONTRACT UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH.

   (II) IF THE COMMISSION DETERMINES THAT THE CONTRACT SUBMITTED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH IS COST–EFFECTIVE AS COMPARED TO THE LONG–TERM PROJECTION OF RENEWABLE ENERGY COSTS, THE COMMISSION SHALL APPROVE THE CONTRACT.

   (5) A CONTRACT AWARDED UNDER THIS SECTION IS SUBJECT TO THE REGULATORY AUTHORITY OF THE COMMISSION.

   (6) AN ELECTRIC COMPANY SHALL SELL PURCHASED ENERGY INTO THE WHOLESALE SPOT MARKET.

   (7) AN ELECTRIC COMPANY SHALL SELL ALL RENEWABLE ENERGY CREDITS AND SOLAR RENEWABLE ENERGY CREDITS CONTRACTED FOR UNDER § 7–703(B) OF THIS SUBTITLE.

   (8) FOR THE SALE OF ANY PURCHASED ENERGY INTO THE WHOLESALE SPOT MARKET UNDER PARAGRAPH (6) OF THIS SUBSECTION AND RENEWABLE ENERGY CREDITS UNDER PARAGRAPH (7) OF THIS SUBSECTION, AN ELECTRIC COMPANY SHALL:

      (I) NET THE COST OF PAYMENTS MADE TO PROJECTS UNDER THE LONG–TERM CONTRACTS AGAINST THE PROCEEDS OBTAINED FROM THE SALE OF ENERGY AND RENEWABLE ENERGY CREDITS; AND

      (II) CREDIT OR CHARGE THE DIFFERENCE DERIVED UNDER ITEM (I) OF THIS PARAGRAPH TO ALL DISTRIBUTION CUSTOMERS THROUGH A UNIFORM FULLY RECONCILING ANNUAL FACTOR IN DISTRIBUTION RATES THAT CANNOT BE BYPASSED WHEN SWITCHING ELECTRIC SUPPLIERS, SUBJECT TO REVIEW AND APPROVAL OF THE COMMISSION.

   (9) AN ELECTRIC COMPANY MAY NOT EARN AN ADDITIONAL RETURN ON A PURCHASE THAT IS TREATED AS A REGULATORY ASSET UNDER PARAGRAPH (1)(IV) OF THIS SUBSECTION.

   (D) (1) BEGINNING IN 2023, THE RENEWABLE ENERGY CREDITS, SOLAR RENEWABLE ENERGY CREDITS, AND ELECTRICITY CONTRACTED FOR UNDER SUBSECTION (B) OF THIS SECTION SHALL BE USED TO MEET AT LEAST 25% OF THAT YEAR’S AND EACH SUBSEQUENT YEAR’S RENEWABLE ENERGY PORTFOLIO STANDARD FOR THE ELECTRICITY THAT THE ELECTRIC COMPANY PROVIDES TO THE
ELECTRIC COMPANY’S STANDARD OFFER SERVICE CUSTOMERS.

(2) The 25% standard shall be applied equally to the annual renewable energy portfolio standard amount required to be derived by solar energy in 2023 and subsequent years.

(E) On or before December 1, 2024, and annually thereafter, the Commission shall, in accordance with § 2–1257 of the State Government Article:

(1) Report to the General Assembly on the impact of this section on the energy and renewable energy credit markets, including the disposition of energy and renewable energy credits; and

(2) Recommend any program changes necessary to support the renewable energy credit market in the State.

(F) On or before March 31, 2023, the Commission shall adopt regulations to carry out this section.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to apply only prospectively and may not be applied or interpreted to have any effect on or application to any contract for electricity supply before the effective date of this Act.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2022.