

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 814 (Senator M. Washington)
Education, Energy, and the Environment

Public Utilities - Definition of Qualified Offshore Wind Project - Alteration

This bill alters the definition of a “qualified offshore wind project” to remove the option for the project to interconnect to the PJM Interconnection grid at a point located on the Delmarva Peninsula. Under the bill, a qualified offshore wind project must interconnect to the grid through an offshore wind transmission project selected by the Public Service Commission (PSC) under a selection process created by Chapter 95 of 2023. Such a transmission project could be located on the Delmarva Peninsula or elsewhere.

Fiscal Summary

State Effect: PSC can handle the bill’s requirements with existing budgeted resources. Revenues are not affected. Considerations as to the bill’s effect on currently approved offshore wind projects and potential future power purchasing agreements (PPAs) are discussed in the Additional Comments section below.

Local Effect: The bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Pursuant to Chapter 3 of 2013, under the State Renewable Energy Portfolio Standard, State electricity sales must include an amount derived from offshore wind energy beginning in 2017. The amount is set by PSC each year, based on the projected annual creation of offshore wind renewable energy credits (ORECs) by qualified offshore wind projects, and may not exceed 2.5% of total retail sales. Chapter 757 of 2019 bifurcated

the application and approval process for offshore wind into “Round 1” (the process established by Chapter 3) and a “Round 2” process to allow for new applications with different specifications. PSC may also provide for additional application periods.

Ratepayer impacts in Round 1 were limited to \$1.50 per month (in 2012 dollars) for residential customers and 1.5% for nonresidential customers over the duration of the OREC pricing schedule. Ratepayer impacts in Round 2 were limited to \$0.88 per month (in 2018 dollars) for residential customers and 0.9% for nonresidential customers over the duration of the OREC pricing schedule. Rate impacts do not occur until energy is provided by the projects.

Chapter 95 established a State goal of reaching 8,500 megawatts (MW) of offshore wind energy by 2031. The Act also (1) required PSC to take specified actions related to regional transmission system upgrades for offshore wind; (2) required the Department of General Services (DGS) to issue a competitive sealed procurement solicitation and authorized the department to enter into at least one contract for a PPA to procure up to 5.0 million MW-hours annually of offshore wind energy and associated renewable energy credits from one or more qualified offshore wind projects; and (3) authorized Round 1 and Round 2 developers to apply to PSC for a full or partial exemption from the requirement to pass along 80% of certain federal benefits to ratepayers.

“Qualified offshore wind project” means a wind turbine electricity generation facility, including the associated transmission-related interconnection facilities and equipment, that:

- is located (1) on the outer continental shelf of the Atlantic Ocean in an area that the U.S. Department of the Interior designates for leasing and (2) more than 10 miles off the coast of the State for a project selected by DGS for a PPA or approved by PSC for ORECs under the energy portfolio standard after June 1, 2023; and
- interconnects to the PJM Interconnection grid (1) *at a point located on the Delmarva Peninsula* or (2) through an offshore wind transmission project selected under the process created under Chapter 95.

Small Business Effect: The bill potentially delays the construction and/or operation of approved offshore wind projects, which may affect small businesses that work on those projects directly or provide materials or services to the projects.

Additional Comments: A PSC [fact sheet](#) contains relevant information on Round 1 and Round 2 project approvals, costs, and timelines under the implementation of the two Acts. However, one of the two developers, Orsted, [announced](#) in January 2024 that it has withdrawn from PSC orders approving its Skipjack 1 and 2 projects. PSC advises that the bill could impact these approved projects by delaying their construction and requiring them

to wait until one or more transmission projects approved under Chapter 95 are completed. A delay in project construction and/or completion would delay ratepayer impacts associated with the purchase of ORECs. Likewise, any potential PPAs authorized under Chapter 95 are potentially affected by the definition change – since any PPA must be with a qualified offshore wind project. However, any potential effects are not reflected in the above analysis.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Public Service Commission; Department of Natural Resources; Office of People’s Counsel; Orsted; Department of Legislative Services

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