

SENATE BILL 841

P1, M5, C5

6lr2749

By: **Senators Feldman and Ferguson**

Introduced and read first time: February 6, 2026

Assigned to: Education, Energy, and the Environment

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Energy Administration – Renewable Energy Generation Projects –**
3 **Alternative Compliance Fee Auctions**

4 FOR the purpose of altering the uses of the Maryland Strategic Energy Investment Fund
5 and certain compliance fees; requiring the Maryland Energy Administration, in
6 consultation with the Public Service Commission, to develop and conduct certain
7 annual, competitive, low-bid alternative compliance fee auctions for the
8 development of certain renewable energy generation projects; establishing the
9 purpose and procedures for an auction and the eligibility requirements for certain
10 bidders; requiring the Administration and the Commission to set certain thresholds
11 and capacity targets; requiring the Administration to set certain deadlines and
12 milestones for projects awarded a contract; authorizing the Administration to
13 provide certain extensions under certain circumstances; authorizing the recapture
14 of certain funds under certain circumstances; and generally relating to alternative
15 compliance fee auctions for renewable energy generation projects.

16 BY repealing and reenacting, without amendments,
17 Article – State Government
18 Section 9–2016(a), (b), and (e) and 9–20B–05(a), (b), (c), and (e)
19 Annotated Code of Maryland
20 (2021 Replacement Volume and 2025 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article – State Government
23 Section 9–2016(f) and 9–20B–05(f)(13) and (14)
24 Annotated Code of Maryland
25 (2021 Replacement Volume and 2025 Supplement)

26 BY adding to
27 Article – State Government

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Section 9–20B–05(f)(14) and (i); and 9–20E–01 and 9–20E–02 to be under the new subtitle “Subtitle 20E. Alternative Compliance Fee Auctions” Annotated Code of Maryland (2021 Replacement Volume and 2025 Supplement)

BY repealing

Article – State Government
Section 9–20B–05(g–1), (i), and (i–1)
Annotated Code of Maryland
(2021 Replacement Volume and 2025 Supplement)

BY repealing

Article – State Government
Section 9–20B–05(g–1)
Annotated Code of Maryland
(2021 Replacement Volume and 2025 Supplement)
(As enacted by Chapter 595 of the Acts of the General Assembly of 2024)

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

Article – State Government

9–20B–05.

(a) There is a Maryland Strategic Energy Investment Fund.

(b) The purpose of the Fund is to implement the Strategic Energy Investment Program.

(c) The Administration shall administer the Fund.

(e) The Fund consists of:

(1) all of the proceeds from the sale of allowances under § 2–1002(g) of the Environment Article;

(2) money appropriated in the State budget to the Program;

(3) repayments and prepayments of principal and interest on loans made from the Fund;

(4) compliance fees paid under § 7–705 of the Public Utilities Article;

(5) money received from any public or private source for the benefit of the Fund;

(6) money transferred from the Public Service Commission under § 7–207.2(d)(3) of the Public Utilities Article; and

(7) money distributed under § 2–614.1 of the Tax – General Article.

(f) The Administration shall use the Fund:

(13) notwithstanding subsection (g) of this section, to pay costs associated with the Air and Radiation Administration within the Department of the Environment; [and]

(14) TO AWARD BIDS FOR RENEWABLE ENERGY GENERATION PROJECTS UNDER § 9–20E–02 OF THIS TITLE; AND

[(14)] **(15)** to pay the expenses of the Program.

[(g–1) Proceeds received by the Fund from compliance fees under § 7–705(b)(2)(i)2 of the Public Utilities Article shall be allocated as follows:

(1) beginning in fiscal year 2025, at least 20% of the proceeds shall be used to provide grants to support the installation of new solar energy generating systems under the Customer–Sited Solar Program;

(2) up to 10% of the proceeds shall be credited to an administrative expense account for costs related to the administration of the Fund;

(3) proceeds collected but unused from a previous year shall be used before proceeds allocated for the current year; and

(4) the Administration shall reallocate to other authorized uses any proceeds that are not used within 3 fiscal years after collection.】

[(i) (1) Except as provided in paragraphs (2), (3), and (4) of this subsection, compliance fees paid under § 7–705(b) of the Public Utilities Article may be used only to make loans and grants to support the creation of new Tier 1 renewable energy sources in the State that are owned by or directly benefit:

(i) low– to moderate–income communities located in a census tract with an average median income at or below 80% of the average median income for the State; or

(ii) overburdened or underserved communities, as defined in § 1–701 of the Environment Article.

(2) Compliance fees paid under § 7–705(b)(2)(i)2 of the Public Utilities Article shall be accounted for separately within the Fund and may be used only to make

loans and grants to support the creation of new solar energy sources in the State that are owned by or directly benefit:

(i) low- to moderate-income communities located in a census tract with an average median income at or below 80% of the average median income for the State;

(ii) overburdened or underserved communities, as defined in § 1-701 of the Environment Article; or

(iii) households with low to moderate income, as defined in § 9-2016 of this title.

(3) For fiscal year 2026 only, up to \$100,000,000 of compliance fees paid under §§ 7-705(b) and 7-705(b)(2)(i)2 of the Public Utilities Article shall be accounted for separately within the Fund and may be used for solar development on State government property and local government clean energy projects.

(4) (i) Subject to subparagraphs (ii), (iii), and (iv) of this paragraph, compliance fees paid under § 7-705 of the Public Utilities Article may be used to provide grants to electric companies to be refunded or credited to each residential distribution customer based on the customer's consumption of electricity supply that is subject to the renewable energy portfolio standard.

(ii) The refunding or crediting of amounts to residential distribution customers shall be identified on the customer's bill as a line item identified as a "legislative energy relief refund".

(iii) An electric company awarded a grant under this paragraph:

1. may not retain any of the grant funds to cover overhead expenses; and

2. shall provide all of the grant funds to residential distribution customers.

(iv) The process under subparagraphs (i) and (ii) of this paragraph related to the refunding or crediting of amounts to residential distribution customers shall be directed and overseen by the Commission.

(i-1) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Area median income" has the meaning stated in § 4-1801 of the Housing and Community Development Article.

(iii) "Low and moderate income" means having an annual household income that is at or below 120% of the area median income.

(2) Compliance fees paid under § 7-705(b-1) of the Public Utilities Article shall be accounted for separately within the Fund and may be used only to make loans and grants to promote increased opportunities for the growth and development of small, minority, women-owned, and veteran-owned businesses in the State that install geothermal systems in the State.]

(I) COMPLIANCE FEES PAID INTO THE FUND UNDER § 7-705 OF THE PUBLIC UTILITIES ARTICLE MAY BE USED ONLY TO AWARD BIDS FOR RENEWABLE ENERGY GENERATION PROJECTS UNDER § 9-20E-01 OF THIS TITLE.

SUBTITLE 20E. ALTERNATIVE COMPLIANCE FEE AUCTIONS.

9-20E-01.

(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) “ADMINISTRATION” MEANS THE MARYLAND ENERGY ADMINISTRATION.

(C) “ALTERNATIVE COMPLIANCE FEE” MEANS A FEE PAID IN ACCORDANCE WITH § 7-705 OF THE PUBLIC UTILITIES ARTICLE TO THE MARYLAND STRATEGIC ENERGY INVESTMENT FUND ESTABLISHED UNDER § 9-20B-05 OF THIS TITLE.

(D) “AUCTION” MEANS AN ALTERNATIVE COMPLIANCE FEE AUCTION.

(E) “CAPACITY TARGET” MEANS A CALCULATION OF THE AMOUNT OF RENEWABLE ENERGY GENERATION NEEDED IN A GIVEN YEAR TO SATISFY THE RENEWABLE ENERGY PORTFOLIO STANDARD UNDER § 7-703 OF THE PUBLIC UTILITIES ARTICLE FOR A SPECIFIC YEAR, MINUS THE AMOUNT ALREADY PROCURED FROM OTHER SOURCES.

(F) “COMMISSION” MEANS THE PUBLIC SERVICE COMMISSION.

(G) “RENEWABLE ENERGY” MEANS ENERGY GENERATED FROM:

(1) GEOTHERMAL ENERGY GENERATING SYSTEMS;

(2) OFFSHORE WIND ENERGY GENERATING SYSTEMS; OR

(3) SOLAR ENERGY GENERATING SYSTEMS.

9-20E-02.

(A) (1) BEGINNING JANUARY 1, 2027, THE ADMINISTRATION SHALL CONDUCT, IN CONSULTATION WITH THE COMMISSION, AN ANNUAL, COMPETITIVE, LOW-BID ALTERNATIVE COMPLIANCE FEE AUCTION TO AWARD CONTRACTS TO ELIGIBLE BIDDERS TO FUND PROJECTS FOR THE DEVELOPMENT OF RENEWABLE ENERGY GENERATION IN THE STATE USING REVENUE FROM ALTERNATIVE COMPLIANCE FEES.

(2) (I) EACH YEAR THE ADMINISTRATION AND THE COMMISSION SHALL SET THE CAPACITY TARGET FOR THE AMOUNT OF RENEWABLE ENERGY GENERATION REQUIRED FOR THAT YEAR.

(II) IN DETERMINING THE CAPACITY TARGET FOR EACH AUCTION, THE ADMINISTRATION AND THE COMMISSION SHALL USE A TRANSPARENT METHODOLOGY, INCLUDING:

1. RENEWABLE ENERGY CREDIT SHORTFALLS FROM THE PRIOR YEAR;
2. ANTICIPATED GROWTH IN RENEWABLE ENERGY OVER TIME;
3. PROJECTED ALTERNATIVE COMPLIANCE FEE REVENUE;
4. MODELED EXPECTED ENERGY CLEARING PRICES;
- AND
5. TRENDS IN IN-STATE RENEWABLE ENERGY GENERATION.

(3) IN EACH AUCTION, THE ADMINISTRATION SHALL PROCURE PROJECTS FOR THE GENERATION OF RENEWABLE ENERGY IN A QUANTITY THAT MEETS OR EXCEEDS ANY RENEWABLE ENERGY CREDIT SHORTFALLS IN THE PRIOR YEAR.

(4) THE ADMINISTRATION AND THE COMMISSION MAY SET:

(I) A MINIMUM LEVEL OF MEGAWATTS REQUIRED FROM EACH TYPE OF RENEWABLE ENERGY SOURCE IN THE AUCTION; OR

(II) SPECIFIC PROCUREMENT THRESHOLDS FOR ALL TYPES OF RENEWABLE ENERGY SOURCES COLLECTIVELY.

1 **(B) (1) THE ADMINISTRATION, IN CONSULTATION WITH THE**
2 **COMMISSION, SHALL DEVELOP AND CONDUCT THE AUCTIONS IN A MANNER THAT IS**
3 **COST-EFFECTIVE AND MAINTAINS AND PROMOTES THE DEVELOPMENT OF**
4 **RENEWABLE ENERGY IN THE STATE.**

5 **(2) THE COMPETITIVE AUCTION PROCESS MAY REQUIRE THE**
6 **ADMINISTRATION TO SOLICIT A SERIES OF BIDS FROM RENEWABLE ENERGY**
7 **PROJECT DEVELOPERS FOR THE DEVELOPMENT OF RENEWABLE ENERGY**
8 **GENERATION PROJECTS THAT ARE NEEDED TO MEET ELECTRICITY DEMAND IN A**
9 **COST-EFFECTIVE MANNER.**

10 **(C) (1) TO BE ELIGIBLE TO SUBMIT A BID UNDER THIS SECTION A PERSON**
11 **MUST:**

12 **(I) BE A RENEWABLE ENERGY GENERATION PROJECT**
13 **DEVELOPER; AND**

14 **(II) MEET THE MINIMUM CREDIT AND OTHER ELIGIBILITY**
15 **REQUIREMENTS SET UNDER PARAGRAPH (2) OF THIS SUBSECTION.**

16 **(2) THE ADMINISTRATION, IN CONSULTATION WITH THE**
17 **COMMISSION, SHALL SET ELIGIBILITY REQUIREMENTS FOR BIDDERS, INCLUDING**
18 **REQUIRING EACH BIDDER TO:**

19 **(I) PROVIDE PROOF OF FINANCIAL INTEGRITY;**

20 **(II) POST A BOND OR OTHER SIMILAR INSTRUMENT;**

21 **(III) AGREE TO BE SUBJECT TO ALL APPLICABLE TAXES; AND**

22 **(IV) COMPLY WITH ANY OTHER REQUIREMENTS THE**
23 **ADMINISTRATION DETERMINES ARE IN THE PUBLIC INTEREST.**

24 **(D) (1) ELIGIBLE BIDDERS SHALL SUBMIT COMPETITIVE BIDS BY**
25 **SPECIFYING:**

26 **(I) THE ACTUAL AMOUNT OF MEGAWATTS TO BE GENERATED**
27 **BY THE RENEWABLE ENERGY GENERATION PROJECT; AND**

28 **(II) A PRICE PER MEGAWATT THAT WOULD BE REQUIRED FROM**
29 **THE AUCTION.**

1 **(2) THE ADMINISTRATION SHALL RANK BIDS FROM LOWEST TO**
2 **HIGHEST COST PER MEGAWATT AND AWARD FUNDS DERIVED FROM ALTERNATIVE**
3 **COMPLIANCE FEES TO THE LOWEST BID OR BIDS.**

4 **(3) THE ADMINISTRATION SHALL AWARD BIDS UNTIL THE CAPACITY**
5 **TARGET SET UNDER SUBSECTION (A)(2) OF THIS SECTION IS REACHED.**

6 **(4) THE BIDDER WHO SUBMITS THE LOWEST RESPONSIVE BID FOR**
7 **DEVELOPING A RENEWABLE ENERGY GENERATION PROJECT SHALL BE AWARDED**
8 **THE AMOUNT OF FUNDS TO BUILD THE RENEWABLE ENERGY GENERATION PROJECT.**

9 **(5) THE ADMINISTRATION MAY REFUSE TO ACCEPT SOME OR ALL OF**
10 **THE BIDS MADE IN A COMPETITIVE AUCTION IN ACCORDANCE WITH STANDARDS**
11 **ADOPTED BY THE ADMINISTRATION.**

12 **(6) IF THE CAPACITY TARGET CAN BE MET AT A COST BELOW THE**
13 **ALLOCATED FUNDING, THE ADMINISTRATION MAY:**

14 **(I) CARRY FORWARD ANY FUNDING TO THE NEXT AUCTION; OR**

15 **(II) APPLY THE FUNDS FOR ANY ADDITIONAL MEGAWATTS OF**
16 **RENEWABLE ENERGY GENERATION THAT HAVE BEEN OFFERED UNDER THE**
17 **AUCTION.**

18 **(E) (1) THE ADMINISTRATION SHALL SET DELIVERY DEADLINES FOR**
19 **EACH RENEWABLE ENERGY GENERATION PROJECT THAT IS AWARDED FUNDING**
20 **FROM AN AUCTION.**

21 **(2) THE DEADLINES SET IN PARAGRAPH (1) OF THIS SUBSECTION**
22 **SHALL INCLUDE MILESTONES THAT REQUIRE THE DEVELOPER TO MEET CERTAIN**
23 **DELIVERY GOALS DURING THE DEVELOPMENT OF A RENEWABLE ENERGY**
24 **GENERATION PROJECT.**

25 **(3) THE ADMINISTRATION MAY GRANT EXTENSIONS FOR DELIVERY**
26 **GOALS THAT ARE DELAYED DUE TO INTERCONNECTION OR PERMITTING**
27 **CHALLENGES OR DELAYS IF THE DEVELOPER PROVIDES DOCUMENTATION OF THE**
28 **CHALLENGE OR DELAY.**

29 **(4) THE ADMINISTRATION SHALL ESTABLISH A METHOD OF**
30 **COLLECTION AGAINST ANY DEVELOPER AWARDED A CONTRACT UNDER THIS**
31 **SECTION TO RECAPTURE ANY FUNDS RECEIVED AS A RESULT OF:**

32 **(I) MISAPPROPRIATION, OVERPAYMENT, OR FRAUD; OR**

(II) FAILURE TO MEET MILESTONES OR DELIVERY DATES.

(F) WITHIN 90 DAYS AFTER ALL CONTRACTS FOR RENEWABLE ENERGY GENERATION PROJECTS ARE EXECUTED, THE ADMINISTRATION SHALL PUBLICLY DISCLOSE THE NAMES OF EACH SUCCESSFUL BIDDER AND THE MEGAWATTS TO BE DELIVERED BY THE DEVELOPMENT OF THE RENEWABLE ENERGY GENERATION PROJECT.

(G) ALL PROCEEDS FROM ALTERNATIVE COMPLIANCE FEES ACCRUED IN THE MARYLAND STRATEGIC ENERGY INVESTMENT FUND SHALL BE AVAILABLE EACH YEAR FOR EACH AUCTION.

(H) ON OR BEFORE JULY 1, 2027, AND EACH JULY 1 THEREAFTER, THE ADMINISTRATION AND THE COMMISSION SHALL REPORT TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1257 OF THIS ARTICLE, ON THE ADMINISTRATION OF EACH AUCTION, INCLUDING:

(1) THE AMOUNT OF MEGAWATTS PROCURED THROUGH THE AUCTION;

(2) THE COST PER MEGAWATT OF RENEWABLE ENERGY ALLOCATED IN THE AUCTION;

(3) THE NUMBER OF RENEWABLE ENERGY CREDITS CREATED AS A RESULT OF THE AUCTION; AND

(4) ANY OTHER INFORMATION THE ADMINISTRATION AND THE COMMISSION CONSIDER RELEVANT.

(I) THE ADMINISTRATION, IN CONSULTATION WITH THE COMMISSION, SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – State Government

9–2016.

(a) (1) In this section the following words have the meanings indicated.

(2) “Eligible customer–generator” has the meaning stated in § 7–306 of the Public Utilities Article.

(3) “Low to moderate income” means a household with an annual household income at or below 150% of the average median income for the State.

(4) “Program” means the Customer–Sited Solar Program established in this section.

(b) There is a Customer–Sited Solar Program in the Administration.

(e) The Program may provide grants to an income–verified eligible customer–generator with a low to moderate income in an amount equal to \$750 per kilowatt of nameplate capacity for a solar energy generating system, up to a maximum of \$7,500 per system.

(f) A grant awarded under subsection (e) of this section shall be funded from [fees collected under § 7–705(b)(2)(i)2 of the Public Utilities Article and allocated in accordance with § 9–20B–05(g–1) of this title] **THE MARYLAND STRATEGIC ENERGY INVESTMENT FUND ESTABLISHED UNDER § 9–20B–05 OF THIS TITLE.**

SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – State Government

9–20B–05.

(a) There is a Maryland Strategic Energy Investment Fund.

[(g–1) Up to 10% of the proceeds received by the Fund from compliance fees under § 7–705(b)(2)(i)2 of the Public Utilities Article shall be credited to an administrative expense account for costs related to the administration of the Fund.]

SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall terminate on the taking effect of the termination provision specified in Section 10 of Chapter 595 of the Acts of the General Assembly of 2024. If that termination provision takes effect, Section 1 of this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect. This Act may not be interpreted to have any effect on that termination provision.

SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take effect on the taking effect of the termination provision specified in Section 10 of Chapter 595 of the Acts of the General Assembly of 2024.

SECTION 6. AND BE IT FURTHER ENACTED, That, subject to Section 5 of this Act, this Act shall take effect July 1, 2026.