

Support with Amendments
Economic Matters Committee
2/24/2022

House Bill 622 - Electricity - Offshore Wind Renewable Energy Credits

Baltimore Gas and Electric Company (BGE) supports *House Bill 622 - Electricity - Offshore Wind Renewable Energy Credits* with amendments to clarify an electric company's roles and responsibilities in satisfying the offshore wind energy component of the Renewable Energy Portfolio Standard (RPS). As drafted, House Bill 622 requires electric companies to act as an electric supplier's agent to facilitate the transfer of Offshore Wind Renewable Energy Credit (OREC) funding payments from ratepayers to offshore wind developers to satisfy RPS requirements. The legislation also requires the Public Service Commission (PSC) to adopt regulations to establish a cost recovery mechanism.

To incentivize offshore wind (OSW) development off Maryland's coast, the State enacted the Maryland Offshore Wind Energy Act of 2013. The 2013 legislation requires the PSC to specify the OREC price schedule, duration of the OREC pricing schedule, and the number of ORECs an OSW project may sell each year. Under the legislation, electricity suppliers are required to satisfy the OREC obligation. The PSC established the OSW procurement regulations under Rulemaking 51 to in 2014.

Under the current process, the statute places the obligation for OREC compliance on electricity suppliers who presumably seek to recover the OREC costs from their customers. BGE alone has more than 50 electricity suppliers doing business in its territory, who would each be responsible for a proportional share of the ORECs. As introduced, House Bill 622 attempts to shift to electric utilities the responsibility for collecting and remitting these costs. However, the legislation does not adequately clarify the roles of the key stakeholders – including electric utilities – in implementing this task. In addition, as drafted, the legislation failed to make aligning amendments to the various provisions of the Public Utilities Article to ensure consistency throughout the statute.

BGE understands the sponsor has agreed to the amendments attached to our testimony. These amendments clarify an electric utility's role, ensure statutory consistent, and will prevent misunderstandings and miscommunications in the future.

Accordingly, BGE supports House Bill 622 with the attached amendments, and respectfully requests a favorable committee report.

Proposed Amendments to House Bill 622

Amendments to § 7-703. Renewable energy portfolio standard.

(c) Exclusions. — Before calculating the number of credits required to meet the percentages established under subsection (b) of this section, an electricity supplier shall exclude from its total retail electricity sales all retail electricity sales described in subsection (a) **(2) and (3) of this section and an electric company shall exclude from the overall electricity sales on the electric company's system all retail electricity sales described in subsection (a)(2) and (3) of this section.**

(d) Supplier to accumulate required credits. — Subject to subsections (a) and (c) of this section ~~and in accordance with § 7-704.2 of this subtitle~~, an electricity supplier shall meet the renewable energy portfolio standard **for all renewable energy credits except ORECs** by accumulating the equivalent amount of renewable energy credits that equal the percentages required under this section. **The renewable energy standard for ORECs shall be met by an electric company in accordance with § 7-704.2.**

Amendments to : § 7-704.2. Renewable energy portfolio standard — Offshore wind energy component.

a) In general. —

(3) Any positive adjustment to the renewable energy portfolio standard shall be on a forward-looking basis and sufficiently in advance to allow ~~an OREC purchasers~~ **an electric company** to reflect OREC costs in retail prices offered ~~a non-bypassable surcharge paid to by all consumers~~ **a non-bypassable surcharge paid by all customers of the electric company.**

(4) The Commission shall adopt regulations that establish:

(i) the offshore wind purchase obligation sufficiently in advance to allow **an electric company** ~~OREC purchasers~~ to reflect OREC costs in retail prices offered to consumers **a non-bypassable surcharge paid by all customers of the electric company;** and

(ii) a mechanism to adjust the renewable energy portfolio standard obligation in a given year to accommodate a shortfall of ORECs in one or more earlier years that is the result of the variation between the quantity of ORECs calculated from the renewable energy portfolio standard obligation and the quantity of ORECs approved in the Commission order for the same years;

(iii) a surcharge that allows an electric company to recover all costs associated with the purchase of ORECs from all customers of the electric company.

(c) Purchase of ORECs. —

(1) Each electric ~~supplier~~ **company** shall purchase from the escrow account established under this section the number of ORECs required to satisfy the offshore wind energy component of the renewable energy portfolio standard under § 7-703(b)(12) through (25) of this subtitle.

(2)

(i) Subject to any escrow account reserve requirement the Commission establishes, if there are insufficient ORECs available to satisfy the ~~suppliers'~~ **electric companies'** OREC obligation, the overpayment shall be distributed to electric companies to be refunded or credited to each ratepayer based on the ratepayer's consumption of electricity supply that is subject to the renewable energy portfolio standard.

(ii) Subject to any escrow account reserve requirement the Commission establishes, the calculation of an electric ~~supplier's~~ **companies'** OREC purchase obligation shall be based on final electricity sales data as reported by the PJM Interconnection as measured at the customer meter.

Amendments to § 7-705. Compliance; failure to comply.

(b)(1) This subsection does not apply to a shortfall from the required Tier 1 renewable sources that is to be derived from:

(i) ~~offshore wind energy; or~~

~~(ii) post-2022 geothermal systems.~~

...

(3) For industrial process load, the compliance fee for each kilowatt-hour of shortfall from required Tier 1 renewable sources is:

~~(i) 0.1 cents in any year during which suppliers are required to purchase ORECs under § 7-704.2 of this subtitle; and~~