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House Economic Matters Committee

February 24, 2022

Vistra respectfully submits this testimony in **support of HB 622 – Electricity – Offshore Wind Renewable Energy**.

Vistra is a premier, integrated, Fortune 275 energy company with operations in Maryland that focus on delivering an innovative, customer-centric approach to retail electricity and over 7,500 MW of electric generation in the PJM market.¹

Vistra supports HB 622 and would like to respectfully request this Committee to provide a favorable report on this legislation.

Simply put, the clarifying language in the bill would remove electric suppliers from the Offshore Renewable Energy Credit (OREC) administration process and replace them with the electric utilities. This would make collecting and remitting payments for ORECs similar to other statutorily required programs like the Electric Universal Service Program and the EmPOWER Maryland energy efficiency program, where the utilities already collect charges from customers on a non-bypassable basis.

A non-bypassable charge structure for ORECs is consistent with how offshore wind (OSW) compliance costs are recovered in other jurisdictions (e.g., New Jersey and Massachusetts). The OREC creation, purchase, sale, and pricing are all regulated by the Commission, so there is no “market” for ORECs like there is for other RECs. Given the fully regulated nature of ORECs, OSW regulations should be updated to a more administratively efficient structure whereby electric utilities manage the OREC purchases, retirements associated with their electric distribution customers, and pass through the compliance costs .

¹ The company brings its products and services to market in 20 states and the District of Columbia, including six of the seven competitive wholesale markets in the U.S. and markets in Canada and Japan, as well. Serving nearly 5 million residential, commercial, and industrial retail customers with electricity and natural gas, Vistra is the largest competitive residential electricity provider in the country and offers over 50 renewable energy plans. The company is also the largest competitive power generator in the U.S. with a capacity of approximately 39,000 megawatts powered by a diverse portfolio, including natural gas, nuclear, solar, and battery energy storage facilities. In addition, the company is a large purchaser of wind power. The company owns and operates the 400-MW/1,600-MWh battery energy storage system in Moss Landing, California, the largest of its kind in the world.

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A 2020 proceeding at the Public Service Commission (PSC) highlighted the need for this clarification. Delays in the commercial operation of OSW projects demonstrated the flaws in the current construct, namely the uncertainty around when the OREC obligation will begin and when payments should be made to escrow account administrators. Since the OSW obligation is fixed by the PSC and not market-driven, there is an opportunity to streamline the process and correct these flaws to avoid unnecessarily driving prices higher than necessary.

In summary, Vistra believes that a structure similar to that adopted in New Jersey where the electric utilities manage OREC purchases, retirement, and cost recovery on behalf of electric suppliers; and there is having a single OSW escrow account administrator that coordinates with each of the utilities and approved offshore wind projects to handle OREC purchases and retirement for RPS compliance would be much more efficient than Maryland's current program structure for all stakeholders, including customers, utilities, suppliers, OSW developers and project owners, OREC escrow account administrators, and the PSC.

In the absence of such a clarification and/or modification, considerable uncertainty will remain in the competitive market regarding an administrator being appointed and collecting payments in the year in which the offshore wind energy RPS takes effect. The correction in HB 622 would add certainty for the market and provide for greater price transparency for Maryland consumers.

Thank you for the opportunity to share our perspective on HB 622 and for the above reasons Vistra urges the Committee to give the bill a favorable report.