SB526 - Vistra 2022 SB526 HB622 Memo OREC Final.do
Uploaded by: Elizabeth Fixsen
Position: FAV

Vistra 2022 Legislative Proposal: Senate Bill 526/House Bill 622
Electricity - Offshore Wind Renewable Energy Credits

Introduction
Vistra has identified, through our work at the Public Service Commission (PSC), a statutory change that will benefit the Maryland Offshore Wind Program, Maryland consumers, and wholesale and retail suppliers. This change should not be controversial and should be widely supported by legislators as well as agency/industry/consumer advocate stakeholders. The legislation has been introduced by Senator Feldman (SB 0526) and Delegate Brooks (HB 0622)

Proposed Changes
Vistra proposes to modify the Offshore Wind Requirement by moving the purchase of ORECs from a supplier obligation to a utility line-item. Offshore Wind Renewable Energy Credits (OREC) compliance costs should be recovered by electric utilities through a non-bypassable charge. Currently, the statute places the obligation on both wholesale and retail suppliers to collect the cost of OREC compliance from customers. In the proposed change, the electric utilities will collect payment through a non-bypassable charge and then, subsequently, make OREC payments to the OSW project administrators. The escrow accounts will continue to be administered by a qualified financial institution which will track payments and the delivery of ORECs, but rather than receive ratepayer payments from the many electric suppliers active in the state, the electric utilities will make the deposits.

Simply put, in our clarifying language, the bill would strike suppliers from this collection process and replace them with the electric utilities . A 2020 proceeding at the PSC (source below) highlighted the need for this clarification. Delays in Offshore Wind projects demonstrated the flaws in the current construct and how those flaws would unnecessarily drive prices higher than necessary. This correction would add certainty for the market. The utilities are not likely to oppose this change as this will be a line item on the bill, similar to other statutorily required charges like the Electric Universal Service Program and EmPOWER Maryland. Furthermore, this change will provide for greater price transparency for Maryland consumers.

Overview of Existing Law
Maryland passed the original Renewable Portfolio Standard (RPS) law in 2004 (SB 869). The General Assembly has amended this legislation , largely to continue to advance Maryland's commitment to renewable energy, in 2007, 2008, 2010, 2011, 2012, 2013, 2017, 2019, and 2021. In 2019, specifically, the Clean Energy Jobs Act increased the total RPS compliance obligation to 50% by 2030, increased the solar carve-out to 14.5%, and added a second round of offshore wind procurement for a minimum of 1,200 MW.

Importantly, the objective of Maryland's RPS is to recognize and develop the benefits associated with a diverse collection of renewable energy resources. The State's RPS Program does this by recognizing the environmental and consumer benefits associated with renewable energy. The RPS Program requires electricity suppliers to meet a prescribed minimum portion of their retail

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electricity sales with various renewable energy sources, which have been classified within the RPS Statute as Tier 1 and Tier 2 renewable sources. The program is implemented through the creation, sale, and transfer of Renewable Energy Credits (RECs). RECs are created by a variety of projects. Electricity suppliers can either generate their own RECs through developing qualified projects or buy and trade RECs in the marketplace to meet their compliance obligation. The development of renewable energy sources is further promoted by requiring electricity suppliers to pay a financial penalty for failing to acquire sufficient RECs to satisfy their RPS obligation. The penalty is used to support the creation of new Tier 1 renewable sources in the State.

Also, the Maryland General Assembly passed the Offshore Wind Energy Act of 2013 (HB 226), which was signed into law on April 9, 2013. In this legislation, the PSC was directed to establish an obligation for Offshore Wind Renewable Energy Credits (OREC) on a forward-looking basis. The legislation also directed the PSC, in its project approval process, to specify the OREC price schedule, duration of the OREC pricing schedule, number of ORECs the project may sell each year. This means that the cost of compliance with the offshore wind obligation is fixed by the PSC, not market-driven, which is distinctly different from the traditional REC market where quantities are based on project capacity and prices are generally set by the market. The OREC program is most similar to other statutorily-required programs like the Electric Universal Service Program and the EmPOWER Maryland energy efficiency program where charges are best suited for collection by the utilities from customers on a non-bypassable basis.

The PSC was also directed to adopt regulations that established the OREC purchase obligation sufficiently in advance to allow OREC purchasers to reflect OREC costs in retail prices offered to consumers and a mechanism to adjust the RPS 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 RPS obligation and the quantity of ORECs approved in the PSC order for the same years.

The PSC established Offshore Wind (OSW) procurement regulations under Rulemaking 51 to implement that Act the following year. In its OSW procurement regulations, the PSC established a payment mechanism in which escrow accounts would be established for each OSW project. The escrow accounts will be administered by a qualified financial institution, track the delivery of ORECs, receive ratepayer payments from the State's electric suppliers and make OREC payments to the OSW project. The escrow accounts will also true-up OREC payments if the actual construction cost or the receipt of grants and tax credits are different than submitted.

Under the Maryland Public Utilities Article, the Commission has broad authority to promulgate new rules and regulations, relying on the Maryland General Assembly to set policy and make course corrections when needed (Maryland Code, Public Utilities § 7-510).

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Proposed Language
Vistra recommends that the statute be updated to change the OREC compliance structure from the current supplier-by-supplier purchase and retirement obligation to a PSC-approved structure whereby the electric utilities assess charges to electricity customers for OREC purchase and retirement costs to comply with the OREC component of the RPS. A non-bypassable charge structure is consistent with the way OSW RPS 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, offshore wind regulations should be updated to a more administratively efficient structure whereby electric utilities manage the OREC purchases and retirements associated with their electric distribution customers, passing through the costs of compliance.

As a point of reference, we offer that the legislature consider a structure similar to that used by New Jersey in Subchapter 6 (Qualified Offshore Wind Projects) of Chapter 8 (Renewable Energy And Energy Efficiency) of Title 14 (Public Utilities) of the New Jersey Administrative Code. Specifically, the funding mechanism in N.J.A.C. § 14:8-6.6 requires EDCs to act as the payment agent on behalf of competitive suppliers and implement a ratepayer surcharge for OREC purchases to be collected from all ratepayers on behalf of the suppliers. The EDCs enter into a joint contract with a single OREC administrator that handles accounting, compliance, invoicing, and other administrative matters relating to or arising from the OREC obligations of qualified OSW facilities.

In summary, Vistra believes that a structure similar to that adopted in New Jersey where (1) the EDCs manage OREC purchase, retirement, and cost recovery on behalf of competitive suppliers; and (2) there is a single OSW administrator that coordinates with each of the EDCs and each approved offshore wind project to handle OREC purchase, sale, 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 Public Service Commission. In order to correct this issue, changes will need to be made relating to regulations within the Public Service Commission Title in the Code of Maryland Regulations (COMAR - Title 20). The applicable subtitle is “61. Renewable Energy Portfolio Standard Program”; specifically, “Chapter 20.61.06. Offshore Wind”.

Why This Matters
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 first round of offshore wind projects were expected to come online as early as 2021. Project developers have experienced significant delays in the permitting process, pushing commercial operation dates out many years. Suppliers responsible for the OREC obligation do not have certainty into when the projects will come online and therefore trigger OREC payments. This means suppliers are left to guess when they should start collecting payment to meet the obligations which creates uncertainty in the market. Ultimately, this uncertainty potentially harms ratepayers and the wind industry by

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creating higher pricing. By transitioning to charges through the utility, Maryland can ensure that only the actual compliance costs and no more are being collected from ratepayers beginning in the year the projects become operational.

Additional Reading
"Electric Supplier Seeks Modification Of Maryland Offshore Wind Payment Obligation, Schedule" (*Energy Choice Matters*, February 19, 2020)
http://www.energychoicematters.com/stories/20200220ac.html

Public Service Commission Case #9431: IN THE MATTER OF THE APPLICATIONS OF US WIND, INC. AND SKIPJACK OFFSHORE ENERGY, LLC FOR A PROPOSED OFFSHORE WIND PROJECT(S) PURSUANT TO THE MARYLAND OFFSHORE WIND ENERGY ACT OF 2013

About Vistra
Vistra is a Fortune 275 integrated retail electricity and power generation company based in Irving, Texas; active 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). Vistra has 5 million residential, commercial, and industrial retail customers and is the largest competitive residential electricity provider in the country. The company has over 50 renewable energy plans and is a large purchaser of wind power. Vistra 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 an October investor event Vistra announced a strategic shift of investments to work toward a carbon-free carbon portfolio. The company is currently constructing a 400-MW/1,600-MWh battery energy storage system in Moss Landing, California, which will be the largest of its kind in the world when it comes online.

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SB0526_Vistra Nash_FAV.pdf
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Vistra 2022 Legislative Proposal: Senate Bill 526

Electricity - Offshore Wind Renewable Energy Credits

Introduction
Vistra has identified, through our work at the Public Service Commission (PSC), a statutory change that will benefit the Maryland Offshore Wind Program, Maryland consumers, and wholesale and retail suppliers. This change should not be controversial and should be widely supported by legislators as well as agency/industry/consumer advocate stakeholders. The legislation has been introduced by Senator Feldman (SB 0526) and Delegate Brooks (HB 0622)

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Simply put, in our clarifying language, the bill would strike suppliers from this collection process and replace them with the electric utilities . A 2020 proceeding at the PSC (source below) highlighted the need for this clarification. Delays in Offshore Wind projects demonstrated the flaws in the current construct and how those flaws would unnecessarily drive prices higher than necessary. This correction would add certainty for the market. The utilities are not likely to oppose this change as this will be a line item on the bill, similar to other statutorily required charges like the Electric Universal Service Program and EmPOWER Maryland. Furthermore, this change will provide for greater price transparency for Maryland consumers.

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Importantly, the objective of Maryland's RPS is to recognize and develop the benefits associated with a diverse collection of renewable energy resources. The State's RPS Program does this by recognizing the environmental and consumer benefits associated with renewable energy. The RPS Program requires electricity suppliers to meet a prescribed minimum portion of their retail electricity sales with various renewable energy sources, which have been classified within the

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RPS Statute as Tier 1 and Tier 2 renewable sources. The program is implemented through the creation, sale, and transfer of Renewable Energy Credits (RECs). RECs are created by a variety of projects. Electricity suppliers can either generate their own RECs through developing qualified projects or buy and trade RECs in the marketplace to meet their compliance obligation. The development of renewable energy sources is further promoted by requiring electricity suppliers to pay a financial penalty for failing to acquire sufficient RECs to satisfy their RPS obligation. The penalty is used to support the creation of new Tier 1 renewable sources in the State.

Also, the Maryland General Assembly passed the Offshore Wind Energy Act of 2013 (HB 226), which was signed into law on April 9, 2013. In this legislation, the PSC was directed to establish an obligation for Offshore Wind Renewable Energy Credits (OREC) on a forward-looking basis. The legislation also directed the PSC, in its project approval process, to specify the OREC price schedule, duration of the OREC pricing schedule, number of ORECs the project may sell each year. This means that the cost of compliance with the offshore wind obligation is fixed by the PSC, not market-driven, which is distinctly different from the traditional REC market where quantities are based on project capacity and prices are generally set by the market. The OREC program is most similar to other statutorily-required programs like the Electric Universal Service Program and the EmPOWER Maryland energy efficiency program where charges are best suited for collection by the utilities from customers on a non-bypassable basis.

The PSC was also directed to adopt regulations that established the OREC purchase obligation sufficiently in advance to allow OREC purchasers to reflect OREC costs in retail prices offered to consumers and a mechanism to adjust the RPS 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 RPS obligation and the quantity of ORECs approved in the PSC order for the same years.

The PSC established Offshore Wind (OSW) procurement regulations under Rulemaking 51 to implement that Act the following year. In its OSW procurement regulations, the PSC established a payment mechanism in which escrow accounts would be established for each OSW project. The escrow accounts will be administered by a qualified financial institution, track the delivery of ORECs, receive ratepayer payments from the State's electric suppliers and make OREC payments to the OSW project. The escrow accounts will also true-up OREC payments if the actual construction cost or the receipt of grants and tax credits are different than submitted.

Under the Maryland Public Utilities Article, the Commission has broad authority to promulgate new rules and regulations, relying on the Maryland General Assembly to set policy and make course corrections when needed (Maryland Code, Public Utilities § 7-510).

Proposed Language

Vistra recommends that the statute be updated to change the OREC compliance structure from the current supplier-by-supplier purchase and retirement obligation to a PSC-approved structure whereby the electric utilities assess charges to electricity customers for OREC purchase and retirement costs to comply with the OREC component of the RPS. A non-bypassable charge

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structure is consistent with the way OSW RPS 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, offshore wind regulations should be updated to a more administratively efficient structure whereby electric utilities manage the OREC purchases and retirements associated with their electric distribution customers, passing through the costs of compliance.

As a point of reference, we offer that the legislature consider a structure similar to that used by New Jersey in Subchapter 6 (Qualified Offshore Wind Projects) of Chapter 8 (Renewable Energy And Energy Efficiency) of Title 14 (Public Utilities) of the New Jersey Administrative Code. Specifically, the funding mechanism in N.J.A.C. § 14:8-6.6 requires EDCs to act as the payment agent on behalf of competitive suppliers and implement a ratepayer surcharge for OREC purchases to be collected from all ratepayers on behalf of the suppliers. The EDCs enter into a joint contract with a single OREC administrator that handles accounting, compliance, invoicing, and other administrative matters relating to or arising from the OREC obligations of qualified OSW facilities.

In summary, Vistra believes that a structure similar to that adopted in New Jersey where (1) the EDCs manage OREC purchase, retirement, and cost recovery on behalf of competitive suppliers; and (2) there is a single OSW administrator that coordinates with each of the EDCs and each approved offshore wind project to handle OREC purchase, sale, 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 Public Service Commission. In order to correct this issue, changes will need to be made relating to regulations within the Public Service Commission Title in the Code of Maryland Regulations (COMAR - Title 20). The applicable subtitle is “61. Renewable Energy Portfolio Standard Program”; specifically, “Chapter 20.61.06. Offshore Wind”.

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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 first round of offshore wind projects were expected to come online as early as 2021. Project developers have experienced significant delays in the permitting process, pushing commercial operation dates out many years. Suppliers responsible for the OREC obligation do not have certainty into when the projects will come online and therefore trigger OREC payments. This means suppliers are left to guess when they should start collecting payment to meet the obligations which creates uncertainty in the market. Ultimately, this uncertainty potentially harms ratepayers and the wind industry by creating higher pricing. By transitioning to charges through the utility, Maryland can ensure that only the actual compliance costs and no more are being collected from ratepayers beginning in the year the projects become operational.

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SB 526 Written Testimony Vistra Final.docx.pdf
Uploaded by: Kristina Montgomery
Position: FAV

SENATE BILL 526
SENATE FINANCE COMMITTEE

FAVORABLE
VISTRA

Senate Finance Committee
February 15, 2022

Vistra respectfully submits this testimony in **support of SB 526 – 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 SB 526 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 SB 526 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 SB 526 and for the above reasons Vistra urges the Committee to give the bill a favorable report.

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SB0526 (HB0622) - FAV - Electricity - Offshore Win

Uploaded by: Landon Fahrig

Position: FAV

Maryland Energy Administration

Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Mary Beth Tung, Director

TO: Members, Senate Finance Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: SB 526 (HB 622) - Electricity - Offshore Wind Renewable Energy Credits
DATE: February 15, 2022

MEA POSITION: FAV

MEA supports this legislation that will add transparency and efficiency to the administration of offshore wind renewable energy credits (ORECs) within Maryland's renewable portfolio standard.

This bill will require that electric companies act as the agent for electricity suppliers *only* for the transfer of OREC payments from ratepayers to offshore wind developers. The system for the transfer of OREC payments proposed by the bill is substantially similar to what Maryland's regional neighbor, New Jersey, employs.[1] This approach would likely bring operational efficiencies, requiring a handful of electric companies to provide disbursements to offshore wind developers, rather than, possibly, hundreds of electricity suppliers.

While some may want to administer OREC payments in the same fashion as other renewable energy credits (RECs), we do not believe this is the best approach. The price for OREC is set by the Maryland Public Service Commission rather than within a fluctuating market as is the case with non offshore wind RECs. This certainty provides an opportunity to adopt a more simple, efficient approach to their administration.

The change may also allow for the cost of ORECs to appear as a line item on energy bills. As mentioned previously, ORECs ultimately transfer ratepayer dollars to offshore wind developers. This bill offers ratepayers and the state greater transparency as to the direct costs of offshore wind borne by households and businesses.

MEA kindly asks the committee to issue a **favorable report** for SB 526.

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[1] See N.J.A.C. § 14:8-6.6.

Off Shore Wind Credits.pdf
Uploaded by: nanci Wilkinson
Position: FAV

Committee: Finance
Legislation: SB 0526 OffShore Wind Renewable Energy Credits. Altering the process for purchasing offshore wind renewable energy credits to satisfy the offshore wind energy component of the renewable energy portfolio standard; and requiring the Public Service Commission to adopt regulations establishing a certain cost recovery mechanism.
Organization: Environmental Justice Ministry Cedar Lane Unitarian Universalist Church
Position: Favorable
Hearing: February 15, 2022

Dear Committee Chair and Committee Members,

The climate crisis is an emergency with sea level rise, storm surges & flooding, increased precipitation & extreme whether demanding our constant attention. SB 0526 will help the process for the use of offshore wind renewable energy credits that are a part of the renewable energy portfolio standard. The Environmental Justice Ministry holds as part of its faith the inherent right and dignity of every person to a clean and sustainable environment.

Please vote favorably for SB 0526.

Nanci Wilkinson
Environmental Justice Ministry Team
Cedar Lane Unitarian Universalist Church

SB 526 WGL FAV.pdf
Uploaded by: William Kress
Position: FAV

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Senate Finance Committee
February 15, 2022

Senate Bill SB 526 – Electricity **–** Offshore Wind Renewable Energy Credits

POSITION: FAVORABLE REPORT

WGL Energy is a retail supplier with customers across multiple jurisdictions and strongly believes in the functionality of competitive electricity and natural gas markets. We support SB 526 as described below.

The OREC costs are not a competitive item

The rates for the ORECs will not be an area where retail suppliers will be able to manage the costs in different ways. The charges for each OREC will be the same for all customers and all suppliers. This leads to a more natural alignment for inclusion of the OREC costs in the utility distribution charges.

The timing of the completion of the offshore wind projects remains uncertain

The continued delays in the development and completion of the offshore wind projects have led to confusion on the part of the Maryland customers and retail suppliers. Retail energy sales contracts have been edited to include language that addresses the additional costs that <u>might</u> be added to the contract pricing when the wind projects are finally completed. This contract language leads to some confusion as different suppliers may address these costs in different ways. Most retail customers are not aware of the future costs that could be imposed on them. SB 526 will help to remove this confusion and implement a consistent application of these costs through the utility distribution charges.

Administration of the OREC program will be simplified

With the utilities as the facilitator for collecting and transferring the funding payments to the Offshore Wind Developers, the process and administration will be simplified. There will be fewer parties involved in collecting and making the payments. Customers will see a consistent process for this issue, regardless of whether their energy is provided by a retail supplier or the utility. The long-term nature of this program also supports the framework of the utilities administering the payments. This avoids the complications that could occur when retail suppliers enter or exit the Maryland markets. The consistency of the utility focused program is more stable.

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For the reasons described above, WGL Energy supports the proposed changes to the OREC program included in SB 526.

We would be happy to answer any questions.

Thank you for your consideration.

Phil Woodyard Chief Operating Officer
P 703.287.9528 **|** Phillip.Woodyard@wglenergy.com

SB526-HB622_ FWA_testimony_Pavlak_2022.v2.pdf
Uploaded by: Alex Pavlak
Position: FWA

February 15, 20221
Alex Pavlak

SB526/HB622 Favorable with Amendment

The amendment proposes an additional task for the Maryland 100% Study.

The Clean Energy Jobs Act (CEJA2019) authorizes the Power Plant Research Program (PPRP) to conduct a study on the impact of increasing the RPS to 100%. PPRP has initiated a Maryland 100% Study. The Study goal is to evaluate and compare 100% RPS with a 100% clean energy policy based on the Governor's proposed Clean and Renewable Energy Standard (CARES) legislation.

The Legislature has tasked PPRP with a policy analysis. That is the wrong first question for a strategic problem. The Legislature should be tasking PPRP to quantify constraints, what do physics, and economics have to say about practical options reliable, fully decarbonized electric power systems. Those constraints then become the factual base for subsequent policy choice.

The flaw with 100% RPS and 100% CARES as Study goals is that they both require generation from specified clean technologies to equal average consumption, not hour/hour. They both allow State electricity imports/exports whereby West Virginia coal can provide backup and somebody else maintains system reliability. It is important to realistically quantify the cost of managing intermittency in a fully decarbonized system. This can be accomplished by the addition of the following concept definition task to the CEJA2019:

7-714 (F) (2) (IV) An early task for the 100% Study is concept definition, to broadly quantify whole system configurations. Specifically: *What are optimal cost combinations of wind, PV, baseload and storage that satisfy Maryland's need for reliable, fully decarbonized electric power systems?* This task will capture all major system costs (a functionally closed boundary); be independent of transmission details (a "copper plate," zero cost, zero loss, assumption is adequate); and be clean generation technology agnostic (include both tier 1 sources as well as Gen IV nuclear technologies). The task will be independent of current policy constraints (including Maryland, neighboring State, and Federal policies). The task will provide constraints and guidance for subsequent policy analysis.

Dr. Alex Pavlak; Future of Energy Initiative; www.pavlak.net; www.FutureOfEnergyInitiative.org
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2022 Testimony SB526-OREC UNF Final.pdf

Uploaded by: Alexis Gallagher

Position: UNF

February 15, 2022

112 West Street
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UNFAVORABLE – Senate Bill 526
Electricity – Offshore Wind Renewable Energy Credits

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) oppose **Senate Bill 526 Electricity – Offshore Wind Renewable Energy Credits.** Senate Bill 256 alters the process for purchasing Offshore Wind Renewable Energy Credits (OREC) to satisfy the offshore wind energy component of the renewable energy portfolio standard and requires the Public Service Commission (PSC) to adopt regulations establishing a certain cost recovery mechanism.

In an effort to encourage offshore wind (OSW) development off Maryland's coast, the State enacted the Maryland Offshore Wind Energy Act of 2013. In this legislation, the PSC was directed, in its project approval process, to specify the OREC price schedule, duration of the OREC pricing schedule and number of ORECs a project may sell each year. The PSC established the OSW procurement regulations under Rulemaking 51 to implement that Act the following year. The legislation also required energy suppliers to satisfy the OREC obligation.

Senate Bill 526 proposes to modify the OSW requirement by transitioning the collection of ORECs payments from a supplier obligation to a non-bypassable charge to all customers through the utility bill. Under the current process, the statute places the obligation on both wholesale and retail suppliers to collect the cost of OREC compliance from the customer. In the proposed change, the escrow accounts will continue to be administered by a financial institution and track the delivery of ORECs, but rather than receive ratepayer payments from the State's electric suppliers and energy and capacity revenues from PJM, the electric distribution companies (EDC) would collect payment. Pepco and Delmarva Power oppose Senate Bill 526 because it does not adequately address the transition needed to accomplish what we understand to be the intent. Several additional language changes will be needed to properly transition the obligation to the utilities.

For the above reasons Pepco and Delmarva Power oppose Senate Bill 526 and respectfully request an unfavorable committee report.

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STATE OF MARYLAND

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PUBLIC SERVICE COMMISSION

February 15, 2022

Chair Delores G. Kelley
Finance Committee
Miller Senate Office Building, 3 East
Annapolis, MD 21401

RE: INFORMATION – SB 526 – Electricity – Offshore Wind Renewable Energy Credits

Dear Chair Kelley and Committee Members:

The development of offshore wind energy is important to the economic well-being of the State, as evidenced by the passage of the *Maryland Offshore Wind Energy Act of 2013*. This law established the first round of offshore wind procurement for Maryland along with the payment mechanism, offshore wind renewable energy credits (ORECs), for offshore wind projects under the Renewable Portfolio Standard. Subsequently, the *Clean Energy Jobs Act of 2019* established a second round of offshore wind procurement. As you know, the Public Service Commission oversees the procurement of offshore wind projects and determines which wind projects will be awarded ORECs. In total, the Commission awarded ORECs for 368 MW of wind generation in Round 1 and 1,654 MW in Round 2

SB 526 would simply change the party responsible for making OREC payments to the wind developers, from electricity suppliers (current) to electric companies (proposed). The OREC obligations specified in the Commission's Order will remain the same. If SB 526 is enacted, the amounts owed by each utility would be determined annually, based on their respective electricity sales. There are far fewer, and a more stable number of, utilities compared to suppliers in Maryland; this change is expected to increase the certainty of payment collection. It is unclear at this time if the electric companies will attempt to collect from ratepayers additional amounts to cover the costs of acting as agents on behalf of electricity suppliers.

The Commission appreciates the opportunity to provide information on SB 526. Please contact Lisa Smith, Director of Legislative Affairs, at (410) 336-6288 if you have any questions.

Sincerely,

Jason M. Stanek
Chairman