



**Committee: House Economic Matters**

**Testimony on: HB 1214 “Residential Retail Electricity – Green Power – Renewable Energy Credits and Marketing Claims”**

**Position: Support with Amendments**

**Hearing Date: February 23, 2023**

Chairman Wilson, Vice Chair Crosby and members of the Economic Matters committee,

Thank you for the opportunity to provide testimony on Residential Retail Electricity – Green Power – Renewable Energy Credits and Marketing Claims (HB 1214). CleanChoice Energy submits testimony in support of HB 1214 with several friendly amendments that we have discussed with the sponsor. We very much applaud Vice Chair Stein’s effort to bring greater transparency to 100% renewable energy products offered in Maryland.

CleanChoice Energy is a mission-driven, cleantech company that empowers people and businesses to easily access climate solutions. Based out of Washington, D.C., with nearly 100 employees based in Maryland, DC and Virginia, CleanChoice is one of the largest independent retailers that exclusively offers its customers 100% renewable energy products. We currently serve tens of thousands of residential customers in Maryland with a 100% renewable energy retail electricity product - some of these customers have been with CleanChoice for five or more years due to our steadfast commitment to providing exceptional customer service. We are also a solar developer and have supported the development of approximately 25 MW of community solar projects in Maryland.

As you are aware, Maryland businesses and residential customers can purchase their electricity from a retail electricity supplier or their utility. When a residential customer switches, their utility continues to deliver electricity, responds to outages and typically bills the customer for both generation charges (which come from the selected supplier), transmission, distribution, and other charges from the utility.

All load serving entities - utilities and retail suppliers - are required by law to comply with the Renewable Portfolio Standard (“RPS”). When a retailer like CleanChoice offers a product that is 100% renewable energy, the incremental renewable component - above and beyond the RPS requirement - is often called “voluntary” renewable energy. Our customers pay a premium for these products.

Because it is impossible to trace electricity from specific generation facilities as it is imported onto the grid, Renewable Energy Credits (“RECs”) were established to represent the attributes of electricity generated from renewable resources. RECs are issued when one mega-watt (MWh) of electricity is generated and delivered to the electricity grid from a renewable energy resource. RECs are a market-based instrument that represents the legal rights to the environmental, social, and other non-power attributes of renewable electricity generation. RECs are widely recognized as the only way for a buyer or seller to legally claim that their product is renewable. As noted by the EPA, “RECs are the instrument that electricity consumers must use to substantiate renewable electricity claims.” RECs are the foundation of the Maryland RPS and both retailers and utilities demonstrate compliance with the RPS by purchasing and retiring RECs (or paying an Alternative Compliance Fee).

Retail electricity suppliers, including CleanChoice Energy, who provide 100% renewable energy products do so by combining generation from the wholesale energy market (i.e. "grid power") and RECs. RECs have a variety of different attributions: renewable fuel type, facility location, project capacity, project vintage, etc.

It isn't always easy for consumers to understand what types of RECs are included in a product that is advertised as "green power" or more specifically whether such products include biomass, "waste-to-energy" and other energy sources that technically qualify as a Tier I resource in Maryland. At CleanChoice Energy, first we comply with the RPS. Beyond that, our voluntary RECs - the percentage that is above and beyond what the RPS requires - exclude all technologies that consumers generally would not consider renewable. Our voluntary RECs are exclusively from wind and solar. Furthermore, we purchase RECs that are regional to where our customers live. We set these incredibly high standards because we want to meet the customer's expectations and to maximize the impact of every dollar that they spend with us.

All of this nuance means that legislation like what Vice Chair Stein has drafted has benefit to the marketplace. Customers deserve to know the fuel mix and location of the RECs that are included in their retail energy product. In particular, we support creating a new reporting obligation that tracks voluntary REC purchases by Maryland consumers. Retail electricity suppliers already report RPS compliance to the Public Service Commission; additional voluntary reporting is a minimal administrative burden that has potentially significant benefits. With this new reporting in place, Maryland can quantify and accelerate the achievement of its RPS targets from the data that is collected from voluntary REC reporting. In New York, the New York State Energy Research and Development Authority ("NYSERDA") captures this type of information through its Environmental Disclosure Label Program.

However, due to the current undersupply of Tier I RECs in the wholesale energy market facilitated by the regional transmission organization PJM, this bill, in its current form, would have significant negative and potentially unintended consequences due to the restriction on the location of RECs purchased by suppliers.

Because the purchase of Tier 1 RECs is required as part of the Maryland RPS, greater demand, combined with undersupply, will create upward pressure on all electricity rates in Maryland, even for those who do not shop for their electricity or those who shop but are not seeking to purchase a product that includes renewable content beyond the RPS.

What makes matters worse is that PJM's Interconnection queue is severely backlogged. New renewable energy projects are significantly delayed from coming online in a timely manner. This will no doubt contribute to sustained undersupply in the marketplace for years to come.

To avoid price shock in an already volatile energy market and increase transparency for customers, we would ask you to consider three friendly amendments to your legislation.

First, we propose to replace "Tier I" with "wind (all), solar (all), geothermal, ocean and hydroelectric." This amendment will ensure that retail energy suppliers are purchasing RECs from the fuel types that customers most commonly expect for renewable products.

Our next amendment slightly broadens the geographic area in which suppliers may purchase voluntary RECs, to include both PJM and RECs that are generated in a state that is within or adjacent to PJM. This minor distinction is important because some states, including Virginia and North Carolina, have geographic areas - and solar and wind generating facilities - that are outside PJM. This amendment will meet the practical challenge of ensuring sufficient market supply while still creating a high standard.

Finally, we strongly support Vice Chair Stein's goal of increasing transparency for customers. To that end, our final amendment provides a robust set of marketing disclosures that focus on the type, location, and percentage of voluntary RECs being provided by the supplier. An additional standardized disclosure will ensure that customers understand the important role RECs play in buying renewable energy.

Thank you for your time and consideration of these amendments for HB 1214. Please do not hesitate to reach out if you have any questions.

Respectfully,

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CleanChoice Energy