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**OPPOSE – House Bill 0511**

**HB0511 – Renewable Energy Portfolio Standard – Solar Energy – Compliance Fees**

**Economic Matters Committee**

**Thursday, February 16, 2023**

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 280,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington Counties). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, New York, West Virginia, and Maryland.

**Unfavorable**

**Potomac Edison / FirstEnergy opposes House Bill 0511 – Renewable Energy Portfolio Standard – Solar Energy – Compliance Fees.** HB-0511 alters the compliance fee for a shortfall from the required percentage of energy from Tier 1 renewable sources to be derived from solar energy for the renewable energy portfolio standard beginning in 2025 and later. The proposed change holds the compliance fee at the current level, instead of it tracking down over the next few years.

Maryland is currently short or near equilibrium for Renewable Energy Credits (REC) from qualifying resources (especially solar) due to new renewable energy facilities not coming online. This is mostly due to delays associated with prior applications and the subsequent temporary suspension of new interconnection applications through the PJM interconnection queue. Solar REC prices in Maryland have been trading at, or slightly above, the current Alternative Compliance Payment (ACP) of \$60.00 per REC. The current market price is \$61.00 per REC and is trending higher than the ACP for compliance years 2023-2025. Since the PJM queue issue is not expected to be resolved for several years, solar suppliers are trying to protect the price of RECs near the \$60.00 per REC ACP.

**Potomac Edison / FirstEnergy requests an Unfavorable report on HB-0511 for the following reasons.**

The intent of the current law of a declining ACP is, as the compliance obligation goes up, it avoids having customers overpay for REC's if the market fails to keep up with compliance demand. With current market conditions, any changes to Renewable Energy Portfolio Standard requirements (i.e., keeping ACP fees steady, in lieu of decreasing, as suggested by this legislation) will not be in the best interest of Maryland customers. This change will further drive up the Standard Offer Service rates and Certified Retail Energy Supplier offered rates that customers currently pay. In addition, these rates are currently rising due to wholesale market volatility.

As an alternative to HB-0511, Potomac Edison / FirstEnergy would recommend legislation that freezes the 2022 Renewable Energy Portfolio Standard requirements for a period of three years, to allow for PJM's queue issues to be resolved, and for the market to organically add new renewable technologies again to the PJM and Maryland markets. This delay would then push the increased renewable portfolio requirements schedule for Tier I renewables by three years to 2033, instead of 2030 and could also allow for the ACP under current legislation to decline as market equilibrium returns to normal for the benefit of Maryland's retail electric customers.

For the above reasons, Potomac Edison / FirstEnergy respectfully request an **Unfavorable** report on House Bill 0511.