Maryland
DEPARTMENT OF
GENERAL SERVICES
Wes Moore, Governor · Aruna Miller, Lt. Governor · Atif Chaudhry, Secretary

**BILL:** **Senate Bill 871 - Offshore Wind Energy-State Goals and Procurement**

**COMMITTEE:** Senate Education, Energy, and the Environment

**DATE:** March 7, 2023

**POSITION:** Letter of Information

Upon review of Senate Bill 871, the Maryland Department of General Services (DGS) provides these comments for your consideration.

This bill requires the State to adopt a goal of reaching 8,500 megawatts of offshore wind (OSW) energy capacity by 2031. To achieve this goal the State will need to issue sufficient wind energy leases in the central Atlantic region. Utilizing OSW will provide the clean energy necessary to fulfill the State's net-zero greenhouse gas emission reduction targets per Chapter 38, Maryland Laws 2022 (Senate Bill 528), effective July 1, 2022.

This bill requires DGS:

- Issue an Invitation for Bids (IFB) beginning August 2024 and ending May 2025. Enter into at least one contract for a Power Purchase Agreement (PPA) to procure between one million and eight million megawatt-hours annually of OSW energy from one or more qualified projects. ***The Department of General Services Office of State Procurement has concerns with the procurement timeline required in this bill. According to the bill the IFB must be posted before August 2024, with a bidding process of at least 180 days. The solicitations would be out for six (6) months, and the contract would be entered into by May 2025. The procurement process in a best-case scenario is only three (3) months. Three months would be too short to allow for a full evaluation of bids/proposals and make an award recommendation to the Board of Public Works (BPW). Preparing and submitting an action agenda item for BPW takes minimally one month. BPW may also request additional time to review the award recommendation, further complicating the timeline in this bill. DGS OSP would necessitate additional procurement officers to manage and conduct this complex procurement.***

- Include in the PPA associated renewable energy credits and have a minimum 20-year term. ***The purchase of OSW energy has benefits and risks associated with it. From a fiscal perspective it is in the best interest of the State if non-OSW energy prices rise over that 20-year term. If the prices do not rise, the State would pay more for OSW over the***

***20 years. A 20-year fixed-rate contract would eliminate any uncertainties in price when budgeting for the State's electricity.***

- In the IFB the social cost of greenhouse gas emissions, the State's climate commitments, and the State's OSW goals must be considered. Include the comparison of the social cost of greenhouse gas emissions for OSW in the IFB, with the social cost of greenhouse emissions for nonrenewable energy power purchased. ***The social cost of carbon can be added to the State's current electric rate to create an allowable maximum rate to compare to OSW rates. This may be difficult to incorporate in an IFB, which is meant to obtain a contract with the lowest-priced bidder. Other procurement methods such as a Request for Proposal may be more appropriate to meet this goal. The decisions of which procurement method is most appropriate should be made by the procurement officer.***

- Identify the energy necessary to meet the State's needs through OSW. Meet the State's renewable energy obligations with the OSW energy procured and retire the associated Renewable Energy Credits (RECs). Any excess OSW energy or RECs to be sold on the PJM competitive wholesale power market. ***Purchasing all of the state's electricity through OSW fulfills the Renewable Portfolio Standard and accelerates the State towards net zero. The State already purchases 12% of its electricity through renewable power purchase agreements, the other 88% of the State's electricity could be purchased through OSW. In this case, all of the State's energy purchased would be from renewable sources. If all the State's energy is purchased from renewable sources, is the State relieved of its Solar REC obligations?***

For additional information, contact Ellen Robertson at 410-260-2908.