



TO: Members, House Environment & Transportation Committee
FROM: Paul Pinsky - Director, MEA
SUBJECT: SB 0781 - Offshore Wind Energy – State Goals and Procurement (Promoting Offshore Wind Energy Resources Act)
DATE: March 7, 2023

MEA Position: FAVORABLE WITH AMENDMENTS

The Maryland Energy Administration (MEA) actively supports the development of offshore wind (OSW) generation for the State. MEA gives direct support to assist development of a clean-energy workforce, and also promotes development of the OSW supply chain. Accordingly, MEA supports with amendments the “Promoting Offshore Wind Energy Resources Act.” We are of the understanding that **others, including the sponsor, may be presenting amendments on the bill, and we are excited to work with all stakeholders in making changes that reflect the best interests of Marylanders.**

OSW energy has the potential to supply a significant portion of Maryland’s electricity, including the ability to displace (in part) baseload generation that is often sourced from fossil-fueled power plants. However, MEA does retain several concerns regarding the legislation, and offers the following amendments.

A New Statewide Goal

It is imperative that Maryland send a message to the appropriate federal entities that our state is taking an aggressive posture for increasing our OSW generation capacity, and that our intention is to be intimately involved in any future process regarding the establishment and assignment of OSW leasing areas.

MEA has determined the likely amount of lease area that will be made available during the U.S. Bureau of Ocean Energy Management (BOEM) leasing process will provide enough square miles of space to eventually support a total of ~7.5 GW of OSW generation capacity.

While the attainment of 7.5 GW may be feasible on a square mile basis with the new lease areas, the timeline presented is likely less feasible, and we recommend extending the timeline from 2031 to no later than 2035. *Amendment No. 1* attached below reflects these two changes.

Transmission Planning and Procurement

MEA strongly supports the need for forward-thinking approaches to the development of transmission projects that will be needed to support new OSW projects. **The siting and development of new transmission projects represents one of the greatest hurdles to increased adoption of renewable energy.**

The transmission procurement section of the bill attempts to replicate a similar approach in New Jersey, which was recently utilized to study necessary transmission expansions with the intent to procure additional transmission. These procurements would be outside standard transmission expansion cost allocation methods.

There are questions surrounding the procurement process and how this could be legally or appropriately applied in Maryland. The Public Service Commission is not an appropriate transmission procurement entity for the State; this process more appropriately falls under PJM directly. **MEA believes the concept needs further development and vetting.** There are structural differences between the New Jersey and Maryland public service regulatory agencies that will need to be addressed through this exploratory process¹. Discussions with the sponsor have been fruitful and the agency looks forward to continuing to work through these concerns. Amendment No. 2 alters this section to retain the evaluation and analysis portion of the transmission section, which will need to be conducted first no matter what path is taken. Additional changes to the language to account for the legal and regulatory environment in Maryland have also been included.

Preservation of the Established O-REC Process

The procurement section would fundamentally alter the existing procurement process for offshore wind in Maryland. This potential shift in the procurement processes would be enacted just prior to the time when OSW developers will be bidding on the new mid-Atlantic/Maryland OSW lease areas. The novel, untested procurement process which this bill proposes may create business uncertainty for developers, which may adversely impact the bidding process. There may, however, be some flexibility provided by shifting project funding from the rate base to the tax base, which could potentially be accomplished without abandoning the established OREC process

Maryland currently utilizes offshore wind renewable energy credits, or “O-RECs”, which is a well-established, open and public procurement process that has been successfully utilized in several states, including Maryland, for past OSW procurements. **It is MEA’s belief that the O-REC process should continue to be utilized for OSW procurement in Maryland.** Amendment No. 3 on the following page strikes the language creating a new procurement method for Maryland OSW.

Conclusion

The agency wishes to emphasize MEA’s willingness to work with the sponsor, Committee, and General Assembly on these and other potential amendments to the bill. The staff at MEA are excited to assist in any way that will refine the legislation, and promote the further development of OSW and Maryland’s clean-energy economy.

For the foregoing reasons, MEA urges the committee to adopt its proposed amendments on the following page, and issue a **FAVORABLE REPORT AS AMENDED**.

¹ There may be organizational impediments in having the Maryland PSC conduct these procurements.

AMENDMENT NO. 1

On page 2 in line 24, and on page 12 in line 7, in each instance, strike “**8,500**” and substitute “**7,500**”; and on page 2 in line 25, and on page 12 in line 9, in each instance, strike “**2031**” and substitute “**2035**”.

AMENDMENT NO. 2

On page 1, in line 2 strike “**Procurement**” and substitute “**Analysis**”; strike beginning with “requiring” in line 8 down through the semicolon in line 14; on page 12, in line 19, strike “**(i)**”; strike beginning with the semicolon in line 19 down through “**PROJECTS**” in line 21; after line 24 insert:

“(c)”;

on pages 12 through 18, strike in their entirety the lines beginning with line 25 on page 12 through line 20 on page 16, inclusive; and on page 16, in line 21, strike “**(o)**”.

AMENDMENT NO. 3

On page 1, strike beginning with “requiring” in line 14 down through the semicolon in line 21; on page 2, in line 3, after the first comma insert “and”; in the same line strike “, and 7-704.4”; and on pages 16 through 18, strike in their entirety the lines beginning with line 27 on page 16 through line 17 on page 18, inclusive.
