TO: Members, Senate, Education, Energy, and the Environment Committee
FROM: Paul Pinsky - Director, MEA
SUBJECT: SB 357 - Renewable Energy Portfolio Standard - Solar Energy - Compliance Fees
DATE: February 14, 2023

MEA Position: FAVORABLE

The Maryland Energy Administration (MEA) encourages the committee's support of Senate Bill 357. This legislation provides solar developers with a greater incentive to build and interconnect solar photovoltaic systems in Maryland. Additionally, the bill, by making the rate of alternative compliance payments (ACP) static, will provide greater economic certainty for solar projects experiencing delays due to challenges with interconnection, zoning, or financing, as well as other factors.

Background:

Maryland adopted a Renewable Portfolio Standard (RPS) to promote the generation of clean energy in the State. It is electricity suppliers that must comply with the RPS. There are two methods an electricity supplier can utilize to satisfy the annual requirements of the RPS, including the solar carve-out portion discussed herein: 1) the purchase and retirement of Solar Renewable Energy Credits ("S-RECs); or 2) the payment of Solar ACP.

Ostensibly, when there is a shortage of S-RECs, suppliers must pay the ACP. MEASolar ACP has a specific and declining rate schedule that is separate from ACP for other technologies (wind, hydroelectric, etc.). The Solar ACP is also set to a higher rate than ACP for the remainder of Tier 1. This helps keep the price of S-RECs generally higher as well.

Current vs. New Law:

Under current law, the rate of S-ACP, currently at $60/MWh, will decline beginning in calendar year 2025 (FY24) ultimately reaching a rate of $22.50/MWh in CY30.

Under SB 357the statutory reductions in the rate of Solar ACP are halted. This keeps the rate of Solar ACP, and likely the price of S-RECs, at the $60 mark.

Conclusion:

This bill creates no immediate increase in costs to ratepayers. Financial impacts are not anticipated to manifest until FY27 or later, and may be limited. Furthermore, **100% of any increase in revenue associated with alterations to ACP rates is already, by statute, fully committed to fund projects that benefit low-income Marylanders**, helping to ensure an equitable outcome.

For the forgoing reasons, MEA is asking the committee for an **FAVORABLE** report.