



February 21, 2025

Delegate C. T. Wilson
Chair
House Economic Matters Committee
231 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

Delegate Brian M. Crosby
Vice Chair
House Economic Matters Committee
231 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

RE: SEIA Favorable with Amendments on HB505: Empowering New Energy Resources and Green Initiatives Toward a Zero-Emission (ENERGIZE) Maryland Act

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee:

I am writing on behalf of the Solar Energy Industries Association (SEIA) regarding our position of **Favorable with Amendments** on HB505 (House Speaker Jones by Request of the Administration), also known as the Empowering New Energy Resources and Green Initiatives Toward a Zero-Emission (ENERGIZE) Maryland Act. It was referred to the House Economic Matters Committee on January 21, 2025.

Founded in 1974, SEIA is the national trade association for the solar and storage industries, building a comprehensive vision for the advancement of these technologies. SEIA is leading the transformation to a clean energy economy by supporting policy measures that will drive the needed investment in clean, domestic, local job-producing solar generation. We work with our 1,200+ member companies, which include solar manufacturers, service providers, residential, community and utility-scale solar developers, installers, construction firms, and investment firms, as well as other strategic partners, to shape fair market rules that promote competition and the growth of reliable, low-cost solar power. Maryland is home to more than 200 solar businesses with many more national firms also conducting business in the state.

Maryland's Evolving Energy Landscape

After a history of flat, or even declining, electricity consumption, the United States' power grid is currently experiencing the largest demand growth in eighty years, due to new manufacturing facilities as well as cutting-edge American innovations in artificial intelligence, data centers, and cryptocurrency mining. Unfortunately, this increase in electricity demand is occurring faster than new generation is being brought online and as a result, Maryland now faces significant increases in energy costs after decades of relatively stable electricity costs.¹ The mismatch in electricity supply and forecasted demand is in large part attributable to years of policy decisions and inactions at PJM, the regional transmission organization and independent system operator that manages the electric transmission grid for thirteen states and the

¹ Office of People's Counsel. "Bill and Rate Impacts of PJM's 2025/2026 Capacity Market Results & Reliability Must-Run Units in Maryland." August 2024. <https://opc.maryland.gov/LinkClick.aspx?fileticket=keJs-QqaLr0%3D&tabid=63&portalid=0&mid=1480>

District of Columbia, including Maryland. The recent 2025/2026 PJM capacity auction saw an 800% price increase from previous years, which will be passed on to Maryland ratepayers as a portion of their utility bills sooner than new sources of generation can be brought online to meet the forecasted increases in energy demand. HB505 recognizes that meeting Maryland’s energy needs will require the rapid deployment of a diverse energy strategy, and the bill takes a number of proactive steps to ensure new sources of generation are brought online in the state in order to prevent continuing dramatic increases in energy costs.

Solar and energy storage are among the only energy resources primed to cost effectively address Maryland’s near-term energy challenges. In 2023, solar made up the majority of additions to the U.S. electric grid, accounting for 55% of all new generation capacity, due, in part, to the 37% decrease in the price of solar photovoltaics over the last decade.² Utility scale solar, along with onshore wind, continue to be the cheapest sources of new electricity generation in the United States, beating out the cost of coal and fossil gas-fired generation.³ While acknowledging the important role solar and energy storage assets play in meeting Maryland’s near-term resource adequacy needs, HB505, as currently drafted, relies on the existing framework of Maryland’s Renewable Energy Portfolio Standard (RPS), which is no longer the right policy for cost-effectively encouraging new in-state solar generation.

Maryland’s Broken RPS

When the RPS was first enacted twenty years ago, the newly created renewable energy credits (RECs) were a powerful tool in jumpstarting renewable energy generation in the state. RECs are a market-based instrument that represent the social and other non-power attributes of renewable electricity generation. RECs are issued when 1 megawatt-hour (MWh) of electricity is generated from a renewable energy resource and are acquired by the electric load serving entities (utilities and retail energy suppliers) to show compliance with the RPS. Maryland’s RPS also established a carveout for meeting solar-specific targets, thus creating the Solar Renewable Energy Credit (SREC) market. To comply with the RPS, electricity suppliers must acquire RECs derived from Maryland-certified Tier 1 and Tier 2 renewable sources, with the state’s 14.5% solar carveout being a subset of Tier 1. Not meeting the necessary RPS requirements obliges Maryland’s electric load serving entities to pay an alternate compliance payment (ACP) penalty. In recent years, electricity suppliers have elected to pay ACP penalties due to their inability to purchase RECs at prices lower than the ACP, with the \$300 million paid in ACPs in 2023 being the largest in the history of Maryland’s RPS.⁴ HB505 attempts to address this shortcoming in the RPS by freezing Maryland’s solar ACP

² Wood Mackenzie Power & Renewables and Solar Energy Industries Association. U.S. Solar Market Insights Report. December 2024.

³ Lazard. Levelized Cost of Energy+. June 2024. <https://www.lazard.com/research-insights/levelized-cost-of-energyplus/>.

⁴ Public Service Commission of Maryland. “Renewable Energy Portfolio Standard Report with Data for Calendar Year 2023.” December 2024. https://www.psc.state.md.us/wp-content/uploads/Corrected-CY23-RPS-Annual-Report_FNL_V2.pdf

at 2024 levels, \$60 per MWh. See the table below for Maryland’s current ACP schedule under the existing RPS.

Maryland’s Current ACP Schedule (\$/MWh)

Compliance Year	Solar ACP	Tier 1 ACP (Excluding Carve-outs)
2023	\$60	\$30
2024	\$60	\$27.50
2025	\$55	\$25
2026	\$45	\$24.75
2027	\$35	\$24.50
2028	\$32.50	\$22.50
2029	\$25	\$22.50
2030	\$22.50	\$22.35

Freezing Maryland’s solar ACP at 2024 levels is neither a cost-effective way to target new in-state solar generation nor does it address Maryland’s foundational RPS market issues. While increasing the solar ACP will support solar generation in the short term, it is an expensive way to target new generation. While freezing Maryland’s solar ACP is a simple policy lever aimed at supporting new solar generation, it also provides unnecessarily financial support to existing legacy solar projects since solar developers would have already made investment decisions based on the then-current ACP stream in order to receive their above-risk-free returns. Further analysis is needed to determine whether freezing the solar ACP at \$60 is the correct level that will spur new solar development, particularly if there are rollbacks or restrictions on the federal investment tax credits (ITC). If it is not the correct market signal, ACP payments will continue to be the mechanism by which electricity suppliers comply with Maryland’s RPS obligations, thus continuing to funnel Maryland ratepayer dollars away from directly investing in new renewable energy generation and towards ACP penalties, which are deposited into the Maryland Strategic Energy Investment Fund. SEIA recommends amending HB505 to contain elements of HB398 (Charkoudian), also known as the Abundant Affordable Clean Energy (AACE) Act, in order to address the current cost and administrative inefficiencies of Maryland’s RPS.

Recommended Amendments

By merely freezing the solar ACP at 2024 levels, HB505 does not contain meaningful protections for Maryland’s ratepayers. The AACE Act, on the other hand, includes several pathways to ensure that Maryland ratepayers are protected from rising electric utility bills. It directs the Maryland Energy

Administration to supervise an escrow account that will be created to direct ACP funds from electricity costs back to ratepayers. ACPs from the legacy RPS/REC system will be directed to this escrow account rather than the Strategic Energy Investment Fund, returning the ACP pass-through costs to ratepayers. Similarly, AACE directs 75% of total franchise, sale, and use taxes from qualifying data centers, which are major drivers of increased electric demand that in turn increase ratepayer utility bills, to be contributed to this escrow account.

HB505 should be amended to establish a methodology for right-sizing incentives for new solar energy projects, rather than maintaining the “one-size fits all” approach as currently exists in Maryland’s SREC market. SEIA contends that the AACE Act provides a superior framework for linking in-state electric consumption with in-state electricity generation. The AACE Act acknowledges the needs of the different solar market segments and project types by ensuring individual projects can receive the incentives they need to come online, while ensuring unneeded incentives are not passed through to ratepayers via ACP penalties. The AACE Act provisions allow for project flexibility and targeted incentives to spur solar development, ensuring that energy projects will directly benefit the state’s energy requirements and directly benefit ratepayers.

Under AACE, utility-scale projects will be issued a guaranteed fixed price contract by the Maryland PSC, subject to competitive procurement bids including cost-benefit analyses, other criteria such as brownfield siting, and a requirement that projects directly serve Maryland load. This process minimizes cost to ratepayers while ensuring the project is economically viable. The procurement also includes labor protections and community benefit agreements. SREC-II and REC-IIs are subsequently issued to these projects, which will operate to make up the difference between the fixed price issued by the PSC and market price sales for electricity to ensure project viability. This approach to utility-scale incentive-setting has been successful in other states, including Massachusetts, New Jersey, and Illinois. AACE’s language builds on these proven successes.

SEIA also recommends amending HB505 to incorporate language from the AACE Act that would subject distribution scale solar to an Administratively Determined Incentive (ADI) set by the PSC. ADIs are set for projects within given capacity blocks – groupings of market sectors – to ensure broad growth of distributed generation across the state. Through setting the value of an ADI, the PSC can tailor the incentive amount a given project receives for each of the identified market sectors, allowing for a balancing between the amount of incentives required to promote market growth across the sectors, without overly burdening ratepayers with incentive costs that exceed economic requirements for development. As is the case with competitive procurement for utility scale projects, the ADI model has been successful in other states to ensure ratepayer protection alongside promoting renewable generation construction to meet the state’s load.

Finally, SEIA recommends incorporating the AACE Act’s competitive procurement process in 2026 and 2027 for up to 1,600 MW of in-state battery storage projects, which would help ensure that storage assets become operational *in this decade* and start generating energy cost-savings to Marylanders. These projects will be constructed in Maryland and serve Maryland’s peak demand – alleviating the need for



comparatively more expensive “peaker” plants. These projects are also eligible to bid into the PJM capacity market which can, in part, alleviate soaring capacity market costs. AACE’s competitive storage procurement process includes significant cost-benefit analyses as a part of any project application to ensure the lowest cost to ratepayers, as well as a CPCN-equivalent to ensure rapid deployment upon approval by the PSC. This procurement process includes significant labor protections, including the requirement for community benefit agreements, which include guarantees for hiring practices and wage provisions to ensure Maryland’s workforce benefits from these projects. AACE also creates a pathway for the deployment of 150 MW of new in-state distribution-connected energy storage assets, not subject to the delays of the PJM interconnection queue.

SEIA recommends amending HB505 to more closely mirror the solar and energy storage provisions of the AACE Act to place Maryland on a path that allows for the flexibility to respond to future energy demands and provides near-term solutions to Maryland’s resource adequacy challenges. While higher electricity costs are already on the horizon, the cost of policy inaction and failing to bring new sources of electricity online in Maryland is far greater. SEIA thus looks forward to working with members of the Administration, House leadership, members of this committee, as well as other stakeholders, to chart a pathway for cost effectively responding to Maryland’s future energy demands while providing near-term solutions to the state’s resource adequacy challenges. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Leah Meredith

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