Arcadia SOLAR SIMPLIFIED SOLSTICE perch ENERGY

February 26, 2025

Brian J. Feldman, Chair
Education, Energy, and the Environment Committee
2 West Miller Senate Office Building
Annapolis, Maryland 21401
Maryland General Assembly

Re: ***Joint Comments regarding SB931 – Generating Stations – Generation and Siting (Renewable Energy Certainty Act)***

Dear Secretary Feldman:

Arcadia Power, Inc., Solar Simplified, Solstice, and Perch Energy Inc (collectively, the "Companies")[1234] provide these comments in response to the introduction of the Senate Bill 931 - Generation and Siting Renewable Energy Certainty Act) introduced on January 28, 2025. We sincerely thank the Education, Energy, and Environment Committee (the "Committee") for considering our input and for facilitating public participation in this hearing.

The Companies submit these comments to address that critical issue, which emerged following the introduced bill SB931. In these comments, the Companies emphasize that the potential community solar auto enrollment program (hereinafter, "municipal auto-enrollment program") is fraught with complications and detrimental unintended consequences. The Companies thank the Committee for the opportunity to comment on this important matter.

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[1] Arcadia is the largest community solar subscriber manager in the United States, serving more than 200,000 subscribers across 1,800 MW in thirteen states and the District of Columbia. This includes 200 megawatts across 54 projects in Maryland.
[2] Solar Simplified is an all inclusive customer lifecycle solution for Community Solar projects. We manage over 500MW of Community Solar projects across the country, including dozens of projects in Maryland, in their entirety from marketing and customer acquisition to billing, collection and subscription management guaranteeing full subscription and full collection to our developers and asset owners.
[3] Solstice was originally founded in 2014 as a nonprofit dedicated to expanding access to solar for underserved populations. In 2016, Solstice created a software to provide turnkey customer management services for community solar, with an acquisition strategy focused on community engagement and local partnerships. Solstice manages a portfolio of projects in Maryland, including several in the low-income carveout.
[4] Perch Energy is the second largest community solar subscriber management provider in the nation. Perch manages over 700MWs of community solar capacity across multiple states including
projects in Maryland.. s.

1. ***Opt-in community solar is the most cost-effective way for Maryland to reach both climate and environmental justice goals.***

While the Companies understand the potential allure of including an auto-enrollment program, the policy ultimately falls short of the ambitions of Maryland's nation-leading community solar program due to the adverse impacts the program would have on the opt-in community solar market. At its core, community solar opportunities promote customer choice, education, and engagement with the clean energy economy, all while expanding clean energy access to the state's low income population. Indeed, a vital operating element of community solar is the ability to direct the benefits of clean, distributed generation to customers – particularly renters and others who are unable to access rooftop solar or who are otherwise excluded from the clean energy economy. Because almost any customer who pays their utility bill is eligible for community solar, the program creates equal access for any household to reap the benefits of clean energy.

Customer choice is a natural function of equal access to the clean energy economy. Unlike municipal automatic enrollment, opt-in community solar requires active customer education and action before enrolling into the program. An educated customer who affirmatively chooses to enroll in a community solar project knows that they are a part of the clean energy economy, and that customer is directly and affirmatively choosing to support the development of clean energy in the state. Thanks to Maryland's focus on creating a community solar program that simultaneously deploys clean energy and emphasizes equity with the inclusion of a special incentive for projects that deliver at least 40% of their energy output to low income customers, opt-in customers will see significant savings thanks to their subscriptions.

The focus on a customer taking an affirmative action to enroll in community solar is not just important for its own sake. Customer choice is a vital feature of community solar for two additional reasons:

1. First, opt-in customers recognize that they are benefitting from a state program that is taking action against climate change while also reducing their electricity costs. The relationship that subscriber organizations like the Companies facilitate between the project developer, the state's community solar program, and the customer helps build broader support for Maryland's state-wide clean energy goals.
2. Second, opt-in community solar has a halo effect and provides a gateway to the clean energy economy. Opt-in community solar is a seamless introduction to beneficial electrification interventions since all a customer needs to enroll in the program is a utility bill. The Companies find that customers who elect to participate in community solar are then more likely to engage in other means of managing their energy usage than the average consumer and are more likely to layer on additional electrification interventions.

Indeed, opt-in community solar may be one of the lowest-cost means of driving the long-term beneficial electrification that will be critical to meeting the state's climate goals.

Additionally, the existing community solar program rules position opt-in community solar to be more successful in attaining the state's goals than municipal auto-enrollment enrollment. Opt-in community solar avoids the central issues of the auto-enrollment model: cherry-picking who will receive the benefits of community solar in a given municipality or implementing a program that will result in de minimis savings to customers. More detail on this issue may be found below in Sub-section 3. Rather, opt-in community solar ensures that customers know they are participating in the program and are receiving material bill savings.

2. ***Allowing municipalities to automatically enroll customers will result in ratepayer-funded windfall profits for developers while resulting in lower value for the state.***

The auto-enrollment model does not provide the same benefits and additional value to the customer or the state's energy goals as the opt-in structure currently in place, because automatically enrolled customers would be almost entirely unaware that they are enrolled in a community solar program. Moreover, auto-enrollment enrollment would not include the same investment in customer education associated with opt-in community solar.

Without these educational investments, the biggest beneficiary of municipal auto-enrollment enrollment are project developers. If the Committee were to allow automatic enrollment on a broad scale, that would reduce the cost to developers by eliminating the need to invest in educating and subscribing customers. The current structure of the community solar program would provide the same compensation in either case, creating an incentive to reduce or eliminate beneficial customer education and enrollment in favor of pursuing automatic enrollment opportunities that provide no similar benefit.

The unfortunate reality is that subscriber managers, and the customer engagement and education that the opt-in model creates, will be removed from the market should the Commission establish a municipal auto-enrollment program. The implementation of such a program would drive project developers en masse to partner with municipalities under an auto-enrollment mechanism, because the program requires no investment in customer education and subscription or the long-term management of these customers. Maryland would lose what opt-in community solar has provided to the market: the most efficient mechanism for expanding access to the clean energy economy across underserved communities, a track record of significant progress towards meeting the state's climate goals.

3. ***Municipal auto-enrollment will result in either officials selecting winners and losers OR de minimis savings for all low income customers***

If the Committee were to adopt an auto-enrollment program, it would effectively result in one of two negative outcomes. Either, to ensure that customers save the most money on their utility bill, municipalities would be forced to pick which customers benefit from solar projects – which will be winners and which will be losers. Or, if the municipalities do not select winner and loser customers, they will be forced to spread a finite amount of bill credits over a huge swath of customers, resulting in trivial bill savings for these customers. Neither of these options are desirable public policy outcomes.

If the municipality utilizes a customer selection process, they would create a process that is rife with potential for abuse. Municipal auto-enrollment puts the power to pick winners and losers (e.g., who is allowed to receive the benefits of community solar) entirely in the hands of a small group of government officials, who may be incentivized to favor specific constituencies. This opaque selection process would be subject to political gamesmanship with no accountability for how customers are selected.

If the municipality instead decides to socialize the bill credits among all low income customers, then these customers are likely to receive negligible utility bill savings. This means that municipalities could size subscriptions at minimal levels, resulting in a few cents in savings per month for each customer. This is not in the spirit of the Community Solar Energy Generating Systems (CSEGS) program, as limited savings to a large population is a less desirable policy outcome than targeted, impactful savings to customers who opt-in to the program.

4. ***Municipal auto-enrollment would lead to geographically discriminatory customer access and participation.***

The all or nothing nature of auto-enrollment offerings would also create geographical disparities in customer access. Given the socioeconomic makeup of many existing municipalities, these programs will be unable to focus on serving overburdened communities with the same reach and rigor that opt-in customer acquisition and management companies can.

Moreover, municipalities that already have energy offices will be disproportionately well-positioned to take advantage of all the existing community solar capacity in a given utility territory since the set-up and administration of such a program.

Take Montgomery County, for example, which has more than 380,000 households. If the County were to design an auto-enrollment program they could automatically enroll all 380,000 households, consuming approximately 2GW of CSEGS capacity. Under these circumstances, it would be impossible for other customers, including low income customers and those residing in environmental justice communities outside of Montgomery County, to subscribe to community solar projects.

5. ***Other jurisdictions have grappled with similar issues and have refused to permit municipal auto-enrollment-style enrollment for community solar.***

There are currently no operating large-scale municipal auto-enrollment programs in any of the third party community solar markets nationwide. The largest community solar market, New York, considered allowing Community Choice ("CCA") auto-enrollment, and instead declined to move forward. The New York PSC has determined that:

> CCA programs may aggregate or otherwise integrate, *on an opt-in basis*, into their program, energy efficiency and distributed energy resources (DERs). In considering how to include a variety of products and energy planning and management activities within the CCA program, CCA Administrators should be open to contracting with different ESCO and DER providers for services.[5] (Emphasis added).

The Committee should follow a similar path and not allocate critical Staff time and resources to considering an auto-enrollment process only to reach the same conclusion as New York. The simple way to do this would be by explicitly allowing municipalities to enroll households in projects on an opt-in basis.

6. ***Billing and crediting and broader consumer protections need to be fully addressed before any auto-enrollment program can be pursued, given that municipal auto-enrollment enrollment will largely remove subscriber organizations from the market.***

Since the inception of Maryland's CSEGS program, the utilities have not delivered on their core responsibility to allocate community solar bill credits in a timely and accurate manner. Yet, the long-term success of the community solar program is contingent on the utilities performing their responsibilities of billing and crediting customers on a timely basis so that customers see the material impact of their community solar subscriptions.

Municipal auto-enrollment enrollment would dramatically reduce the billing oversight role of project owners and subscriber management organizations that have built out

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[5] New York Department of Public Service. Order Modifying Community Choice Aggregation Programs. May ___ 2023. Page 2. https://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-m-0224

competencies in managing subscriptions, validating credits, ensuring timeliness, and providing other vital services. Since municipal auto-enrollment enrollment would effectively remove subscriber management organizations from the market, along with the benefits that they bring to subscribers, additional consumer protections would need to be implemented before municipal auto-enrollment enrollment is implemented to ensure utility accountability and retain high value for the customer.

To ensure this accountability, the Committee should not permit municipal auto-enrollment enrollment until they have implemented utility reporting standards on community solar performance metrics, Negative Revenue Adjustments ("NRAs"), and customer remedial bill credits for when utilities do not meet baseline performance metrics. Facing similar challenges, the New York Public Service Commission has directed Staff and stakeholders to develop, "billing and crediting performance metrics related to distribution utility billing and crediting of Community Distributed Generation (CDG); and (2) a negative revenue adjustment (NRA) mechanism tied directly to the utilities' CDG crediting and billing performances."[6][7]

A set of metrics, NRAs, and customer remediation solutions, have been proposed by Arcadia in tandem with the Coalition for Community Solar Access ("CCSA") and the New York Solar Energy Industry Association ("NYSEIA") in that market.[8] New York DPS Staff is expected to file a White Paper recommending the development of such metrics by the end of 2023. These metrics are intended to more appropriately align utility incentives with customer protection and satisfaction around community solar participation by penalizing the utilities for not hitting baseline performance, such as applying community solar bill credits to customers on a timely basis.

This additional accountability is necessary even in opt-in markets like New York and Maryland with robust project owners and subscriber management organizations to review billing and crediting. Because the result of auto-enrollment enrollment is the elimination of community solar subscriber management organizations like Arcadia, Solar Simplified, Solstice and Perch Energy from the market, the adoption of these metrics should similarly be a prerequisite in Maryland before any auto-enrollment program is implemented.

7. ***Customers enrolled in CSEGS via auto-enrollment enrollment would be subjected to substantial administrative burden and confusion.***

Municipal auto-enrollment enrollment also has the potential to undermine existing community solar customers, which could erode faith in Maryland's growing community solar

[6] Case 19-M-0463, *In the Matter of Consolidated Billing for Distributed Energy Resources*, (October 14, 2022), at 1.
[7] In New York, the community solar is called "Community Distributed Generation" or "CDG".
[8] *Community Distributed Generation Performance Metrics and Negative Revenue Adjustments Industry Proposal*, NYSEIA/CCSA, April 2023. https://www.nyseia.org/policydocuments/utility-accountability-solar-crediting

market. Municipalities using auto-enrollment for the entire customer base could end up enrolling customers who have already signed a contract with another community solar provider, creating customer confusion and frustration in the process. A significant number of community solar customers have executed subscription agreements with a project owner with the understanding that they will be assigned to the first available project, but are not yet allocated to an active project because those projects are still under development.

This is a common industry practice. Nearly all community solar projects acquire customers before the project is energized and generating credits, thereby ensuring a full revenue stream upon achieving commercial operation. Because subscriber acquisition can take months, projects often start acquiring customers before they are actually generating credits.

Additionally, commercial operation is sometimes delayed before the project is energized and delivers credits to customers, due to construction, interconnection, supply chain delays, or billing interruptions. Once a project reaches operation and is generating electricity, the community solar project typically will still maintain a small waitlist of customers ready to backfill for anticipated customer attrition. Throughout that waiting period a municipality – and even the utility – will be unable to identify whether a customer is on such a list and may erroneously enroll them in an auto-enrollment program, complicating both community solar providers' ability to tailor their subscription size to maximize customer savings and ensure a pleasant experience.

I. CONCLUSION

The Companies appreciate the Committee's efforts to advance customer access to clean energy and savings. The Companies are also supportive of the Senate Bill 931. However, for the reasons described above, the Committee should not address, and certainly should not adopt, auto-enrollment mechanisms in this bill. The Companies look forward to participating in this process going forward.

Respectfully submitted on February 25, 2023,

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