

Maryland REC Aggregators Coalition

SB841 – Maryland Energy Administration - Renewable Energy Generation Projects - Alternative Compliance Fee Auctions

Maryland Senate Education Energy and Environment Committee

Thursday, February 26, 2026

Favorable

Chair Feldman and Members of the Committee:

The Maryland REC Aggregators Coalition appreciates the opportunity to provide comments on Senate Bill 841.

The Coalition supports reforms that ensure Alternative Compliance Payment (“ACP”) revenues are deployed in a manner consistent with the original intent of Maryland’s Renewable Energy Portfolio Standard (“RPS”), namely to facilitate the development of renewable energy generation and strengthen long-term renewable energy credit (“REC”) supply.

Recent compliance data for the 2024 compliance year demonstrates significant structural pressure within Maryland’s REC marketplace. Suppliers retired 6.99 million RECs against obligations of 19.36 million, leaving approximately 12.4 million megawatt-hours of compliance satisfied through ACPs. ACP payments totaled approximately \$365 million, the highest level in Maryland’s history. Solar REC prices remain elevated, and the geothermal generation carve-out continues to reflect limited REC supply relative to statutory obligations.

When the RPS was enacted in 2004, ACP payments were tied directly to the creation of a clean energy fund intended to support renewable generation. Following Maryland’s participation in the Regional Greenhouse Gas Initiative and the creation of the Strategic Energy Investment Fund in 2008, the purposes of the fund were expanded. Senate Bill 841 presents an opportunity to reconnect ACP revenues to renewable generation in a disciplined and measurable way.

A competitive reverse auction administered through the Maryland Energy Administration would serve as an effective mechanism for deploying ACP funds. Under such a structure, developers would submit bids specifying the megawatts of generation capacity they are prepared to develop and the level of support required. Bids would be ranked from lowest to highest cost, and awards would be made until a defined capacity or funding threshold is met. By its construction, a reverse auction ensures competition, transparency, and efficient allocation of funds. It is not a winner-take-all model. Rather, it facilitates multiple awards whose combined generation capacity advances Maryland’s renewable energy objectives.

Timing is also a critical consideration. A grant-based auction structure administered by the Maryland Energy Administration can be executed more efficiently than a traditional Public Service Commission procurement proceeding. Given current REC market conditions and

development timelines, the ability to deploy ACP funds in a timely manner is material. A streamlined, competitive grant structure allows Maryland to move capital into generation projects capable of near-term development.

The Coalition strongly supports continued development of both solar and geothermal generation resources in Maryland. Geothermal electric generation remains an emerging segment within the State's RPS framework, with significant long-term potential but limited existing REC supply. Any auction structure should respect existing carve-out obligations, allow meaningful participation by geothermal generation developers, and maintain competitive discipline without adopting administratively set REC prices. A structure that includes technology-specific tranches or defined minimum thresholds can preserve statutory priorities while ensuring cost competition.

To protect ratepayers and ensure project delivery, an auction framework should include appropriate performance safeguards, such as bid collateral requirements, delivery milestones, and clear rules for extensions tied to documented interconnection or permitting delays. Such safeguards promote serious participation while accommodating legitimate development constraints.

Maryland's growing reliance on ACPs underscores the need for a forward-looking procurement mechanism that converts compliance payments into verifiable renewable generation capacity. A reverse auction framework offers competitive discipline, multiple awardees, transparent fund allocation, efficient deployment of ACP revenues, and alignment with the original purpose of the RPS.

The Maryland REC Aggregators Coalition stands ready to work with the Committee, the sponsor, and stakeholders to refine Senate Bill 841 in a manner that strengthens Maryland's renewable generation market while protecting ratepayers.

Respectfully submitted,

Maryland REC Aggregators Coalition