



Maryland Energy Administration

TO: Chair Feldman, Vice Chair Kagan, and Members of the Energy, Education, and the Environment Committee

FROM: MEA

SUBJECT: SB 841 - Maryland Energy Administration - Renewable Energy Generation Projects - Alternative Compliance Fee Auctions

DATE: February 26, 2026

MEA Position: FAVORABLE WITH AMENDMENT

The Maryland Energy Administration (MEA) respectfully submits this letter in support of Senate Bill 841 with amendments.

The current federal administration is openly hostile toward renewable energy, including the HR1 (One Big Beautiful Bill Act) repeal of the Investment Tax Credit (ITC). That is why there are a number of bills proposing good policy this legislative session, including SB 841, aimed at providing renewable energy with the support it needs.

SB 841 establishes a structured, competitive Alternative Compliance Payment (ACP) auction framework to support the development of renewable energy generation projects in Maryland. The bill creates a transparent, low-bid procurement mechanism tied to Renewable Energy Portfolio Standard (RPS) shortfalls and projected market conditions, while incorporating safeguards related to bidder eligibility, delivery milestones, reporting, and recapture of funds.

MEA supports the bill's objective of deploying ACP revenues in a cost-effective and market-responsive manner. The proposed auction framework provides a transparent methodology for determining capacity targets, incorporates consultation with the Public Service Commission, and prioritizes competitive pricing to advance renewable energy development in the State. To ensure effective implementation and long-term program flexibility, MEA respectfully requests the following amendments.

Include Administrative Funding for Program Implementation: As drafted, SB 841 removes the existing administrative expense allocation for ACP revenues and directs compliance fees to be used exclusively to award bids under the new auction program. The bill, as written, leaves MEA without dedicated administrative funding to design, implement, and oversee the annual competitive process.

Accordingly, MEA requests: In § 9-20B-05(i), after the phrase “§ 9-20E-01 of this title,” add: “and to pay for the expenses of that program.”

This amendment would ensure ACP revenues may be used not only to award grants but also to administer the auction program as well as other MEA Strategic Energy Investment Fund (SEIF) programs - to appropriately market the programs and build awareness of their availability and benefits, ensure fair and equitable bid review, maintain financial integrity and compliance, and evaluate the program for ongoing improvement. Finally, MEA would suggest language to shift this away from procurement, and to a competitive grant framework with targets. This would permit MEA the flexibility to improve the program year-over-year.

Clarify that decision making is the responsibility of MEA, in consultation with the Commission. While MEA values coordination with the Public Service Commission, several provisions appear to require joint decision-making that may introduce administrative complexity and delay the offering of the grant program. To streamline implementation, MEA requests amending:

- § 9-20E-02(a)(1) to say “The Administration shall develop an annual Funding Opportunity Announcement specifying the grant program requirements, in consultation with the Commission.”

These changes would preserve the Administration’s ability to act efficiently while maintaining transparency and reporting requirements elsewhere in the bill. MEA agrees that auction results should be provided to the Commission for planning, providing an opportunity for continual improvement, and collaboration between the agencies.

Establish capacity targets commensurate with budget program resources for a given program year. The bill currently requires annual capacity targets determined using a defined methodology, mandatory procurement of projects meeting or exceeding prior year Renewable Energy Credit (REC) shortfall, authority to set minimum megawatt thresholds, mandatory award of bids until the capacity target is reached, carry-forward or application of funds tied to meeting capacity targets. While well-intentioned, these provisions introduce rigid capacity constraints that may not align with evolving market conditions, revenue availability, project readiness, or ratepayer impacts. MEA respectfully recommends:

- Amend § 9-20E-02(a)(2), (3), and (4) to require the Administration to develop a capacity target based on program budgetary, staffing resources and goals, in consultation with the Commission.
- Delete 9-20E-02(a)(2)(ii).
- Removing capacity target references in § 9-20E-02(d)(3)
- Removing capacity-based constraints in § 9-20E-02(d)(6)

These amendments would preserve the competitive auction structure while allowing MEA to determine the amount of solar that can be funded, based on available ACP revenue, project quality, and adapt to changing market conditions rather than fixed statutory formulas.

Clarify this is a Grant Program: In § 9-20E-02(e)(4), MEA recommends replacing “contract” with “grant” to ensure statutory clarity and administrative consistency. MEA would also strike 9-20E-02(i). In order to implement the program quickly and allow flexibility, MEA would prefer to operate this grant program as it does others under the more general provisions of the SEIF regulations that are already in place. As such, new regulations would not need to be promulgated.

Provide Flexibility in the Use of Alternative Compliance Fees: SB 841 provides that compliance fees paid into the SEIF may be used only to award bids under the new auction subtitle. In doing so, the bill repeals prior statutory provisions that allowed ACP revenues to support targeted solar programs, low- and moderate-income community projects, overburdened communities, geothermal small business development, and legislative energy relief refunds. MEA respectfully requests consideration of an amendment that allows limited flexibility for ACP revenue use, including the ability to:

- Support alternative renewable energy grant or loan programs;
- Support the deployment of energy storage projects paired with renewable generation; or;
- Allocate funds in response to evolving market gaps or equity priorities.

Preserving reasonable programmatic flexibility ensures the Administration can respond to changing renewable energy market conditions while still advancing the bill’s auction framework.

Time Implementation with FY27 Budget Cycle: Lastly, MEA would recommend delaying implementation of the program until FY28, permitting the FY27 budget to pass prior to the program beginning. There is discussion this legislative session regarding the appropriate current and future uses of SEIF, which may impact implementation of such a sizable program.

For these reasons, MEA respectfully requests a favorable report on SB 841 with the amendments described above. Our sincere thanks for your consideration of this testimony. For questions or additional information, please contact Megan Outten, Policy manager, at megan.outten@maryland.gov or 443.842.1780.