

KUMAR P. BARVE
CHAIR



FREDERICK H. HOOVER, JR.
BONNIE A. SUCHMAN
ODOGWU OBI LINTON
RYAN C. MCLEAN

PUBLIC SERVICE COMMISSION

Chair Brian Feldman
Education, Energy, and the Environment Committee
2 West Miller Senate Office Building
Annapolis, MD 21401

RE: SB 841 – Favorable w/Amendments – Maryland Energy Administration – Renewable Energy Generation Projects – Alternative Compliance Fee Auctions

Dear Chair Feldman and Committee Members:

The Public Service Commission (“Commission”) requests a favorable report on SB 841, with consideration of the amendments detailed below. SB 841 removes many of the statutory restrictions on spending from the Strategic Energy Investment Fund (SEIF) while also ensuring that alternative compliance fees paid into the SEIF can only be used for renewable energy generation projects. It achieves this by establishing an annual competitive alternative compliance fee auction to fund renewable energy generation projects.

This bill would give the Maryland Energy Administration (MEA) more flexibility to facilitate the development of geothermal, offshore wind, and solar energy generation in Maryland. The auction process allows funds to be awarded to qualified bidders who offer the lowest cost per unit of energy generated, helping to ensure that alternative compliance fees are contributing to renewable energy projects that are both affordable and beneficial to achieving our State’s climate goals.

The Commission has proposed small amendments to SB 841 which would assist with implementing the legislation as intended. The amendments address the following points:

1. Certain capacity and spend targets used for the alternative compliance fee auction are predicated upon values that may not be fully known at the time the auction takes place. Therefore, the amounts would either need to be forecasted or the auction scheduled at a time of the year after those values are determined.
2. MEA and the Commission are instructed to consider—among other things—modeled expected energy clearing prices when devising a capacity target for the auction. The Commission notes that energy clearing prices have no clear effect on renewable portfolio standard compliance levels, and it would not be necessary to factor them into the capacity target calculation.

3. The legislation does not specify what should be done if the required procurement amount for an auction exceeds the amount of funds available in the SEIF.
4. The bill requires the bids and the awarding of bids to be done on a per megawatt basis. As the capacity factors for offshore wind, solar, and geothermal vary greatly, it may be more equitable to rank bids on a per megawatt *hour* basis.
5. The legislation limits the types of renewables that can be procured and allows the Commission and MEA to procure a minimum amount of megawatts from each type of renewable. It would further minimize costs if “renewables” was expanded to cover all eligible renewable sources and the minimum procurement requirement was removed, so that the bids received are for the cheapest renewable regardless of type.

The Commission has worked with the bill’s sponsor on these proposed amendments and will continue to provide assistance as requested. We appreciate the opportunity to provide this testimony and we request a favorable report, with the amendments as detailed above. Please contact the Commission’s Director of Legislative Affairs, Niki Wiggins, at irene.wiggins3@maryland.gov, if you have any questions.

Sincerely,



Kumar P. Barve
Chair, Maryland Public Service Commission