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BILL NO.: **Senate Bill 373**
Renewable Energy Portfolio Standard – Revisions
(Maryland Clean Energy Advancement Act of 2015)

COMMITTEE: **Finance**

HEARING DATE: **February 24, 2015**

SPONSOR: **Senator Feldman, et al.**

POSITION: **Informational**

Senate Bill 373 would modify the State's Renewable Portfolio Standard by increasing the annual percentage requirements for Tier 1 renewable and Tier 1 Solar resources to 40% and 4%, respectively, by 2025. This is in lieu of the current requirements of 20% and 2% by 2022.¹

Over the past nine (9) years, since the passage of the Renewable Portfolio Standard legislation in 2004, the RPS law has been amended every year except 2006 and 2009. The amendments have modified the types of renewable resources to be included in Tier 1 and Tier 2 resources to include geothermal heating and cooling systems, thermal biomass, and solar water heating systems; increased the percentage requirements for renewable resources to be met by electricity suppliers to 20% by 2022; created a carve-out for solar energy resources; and in 2013, created a carve-out for off-shore wind energy beginning in 2017. In addition to Senate Bill 373, other RPS bills have been introduced this session.

¹ A similar bill, SB 733, was introduced last year but no action was taken.

In addition to its contributions to long-term emission reductions, OPC has recognized the direct economic and reliability benefits for electricity customers from encouraging the development of renewable energy as part of a diverse supply of resources to meet our electricity needs.² For that reason, OPC has supported an RPS standard. As of the end of the 2013 calendar year, Maryland's electricity suppliers were meeting their compliance requirements almost entirely with Tier 1, including Tier 1 solar, and Tier 2 Renewable Energy Credits (RECs), and the remainder with a small amount of alternative compliance payments (ACPs). The RECs were derived from a combination of hydroelectric, black liquor, municipal solid waste and wind resources, in addition to solar. While municipal solid waste, black liquor and large hydroelectric contributions remained steady, wind resources increased by 70% in comparison to 2012. The number of retired SRECs doubled compared to 2012.³

OPC believes that the overall direction in the development of renewable resources has been positive, and has been accomplished without adverse impacts to residential ratepayers. There has been evident progress in Maryland towards greater diversity of resources, which can provide beneficial environmental impacts, a public policy goal of the State, as well as consumer

² For example, in a Report entitled "*Risk Analysis of Procurement Strategies for Residential Standard Offer Service*" (Jonathan Wallach and Paul Chernick, Resource Insight, March 2008), prepared for and relied upon by OPC in Public Service Commission proceedings, the authors concluded that (1) consumers benefit from the procurement of clean resources, such as energy efficiency and wind energy, and (2) supply portfolio diversification lowers costs and mitigates risks to residential SOS customers. OPC recognizes that economic and supply reliability benefits can accrue more broadly to Maryland ratepayers through inclusion of diverse supply resources.

³ ³ Data provided in the Public Service Commission of Maryland Renewable Energy Portfolio Standard Report (January 2015), p. 1.

economic benefits. Maryland's "20% by 2022" standard compares favorably with RPS policies in other Mid-Atlantic and Northeast states.⁴

Maryland public policy supports the development of renewable resources to meet our electricity needs in this state because of the "economic, environmental, fuel diversity, and security benefit" of these resources. PUA § 7-702(a) (1). However, the near-term cost impacts of supporting the development of these resources on customers must be taken into account, as electricity remains a vital service for households and businesses. The current RPS provides a reasonable balance of public policy and consumer interests, and it may be that some increase in the RPS would be similarly reasonable. However, as it did last year, the DLS Fiscal and Policy Note identifies a range of additional costs of RPS compliance resulting from a doubling of the RPS standard, which includes a significant cost in the outer years at the higher end of the range.⁵ As both the Maryland Energy Administration and the Department of Legislative Services apparently agree, there are a number of uncertainties in forecasting REC and SREC prices due to a variety of factors, and so these costs were presented "*for illustrative purposes only.*"⁶ However, they are high enough to warrant full consideration in balancing the State's public policy interests and the impacts on consumers, particularly when considering the other rate pressures on utility bills from infrastructure improvements, pending wholesale market proposals and the potential rate impacts from the Offshore Wind requirements. It also is not clear to OPC how a 40% commitment could be met by 2025 at costs below the ACP without significant additional

⁴ As of September 2014, the following standards were in place in Mid-Atlantic and Northeast States: Delaware (25% x 2026); DC (20% x 2020); NJ: (20.38% x 2021 with 4.1% solar by 2028); PA (18% x 2021 – includes non-renewable alternative resources); CT (27% x 2020); RI (16% by 2020); MA (22.1% x 2020); NH: (24.8% x 2025); NY(29% by 2015). The most aggressive states include Hawaii, with a 40% by 2030 RPS, and California, with a 33% by 2020 RPS (In January 2015, Governor Brown has proposed an RPS of 50% by 2030). See http://www.dsireusa.org/documents/summarymaps/RPS_map.pdf.

⁵ Fiscal and Policy Note, p. 7, Exh. 4.

⁶ Id., p. 5.

transmission of renewable resources into PJM (with RECs available to Maryland energy suppliers) or the construction of major renewable energy resources in Maryland, both of which have significant uncertainties at this time.⁷ A less dramatic increase in the RPS percentage at this time therefore would strike a more reasonable balance.⁸

⁷ OPC notes that developers' commitment to construction of such generation facilities can require long-term financing and ultimately depend on utility ratepayer commitments, such as those for the Off Shore Wind Project. PUA Section 7-704.1

⁸ OPC understands that the sponsor may introduce an amendment to the bill to eliminate the mandate of 40%. See <http://thedailyrecord.com/2015/02/20/sponsors-to-offer-scaled-back-renewable-energy-proposal/>.