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BILL NO.: **House Bill 363**
 Clean and Renewable Energy Standard (CARES)

COMMITTEE: **Economic Matters**

HEARING DATE: **February 12, 2020**

SPONSOR: **The Speaker (By Request – Administration), et al.**

POSITION: **Informational**

The Office of People’s Counsel (OPC) provides informational comments on House Bill 363. House Bill 363 is the Administration’s proposal to revise the existing renewable portfolio standard (“RPS”) to the Clean and Renewable Energy Standard (“CARES”). The Bill would include some existing “clean” or non-emission sources and some pre-commercial technologies in the standard as a way for Maryland achieve a clean energy generation mix. The bill would also eliminate from the RPS certain resources and extend the life of the renewable energy portfolio.

Under the Bill, the following technologies and sources would be defined as Clean Energy Resources (CERs):

a. combined heat and power system (CHP) commencing operation after 12/31/20;

b. natural gas or qualified biomass generation station with a Carbon Capture and Sequestration system (CCCS);

c. a nuclear generations asset commencing operation after December 31, 2020; and

d. other emerging net-zero carbon technologies established by regulation of the Public Service Commission ("PSC" or "Commission").

There are some limitations on resource eligibility as a CER. For CHP systems, a 90% efficiency level is needed to qualify for 1 Credit per each Mwh, for CHP systems with an efficiency level between 75% to 90%, $\frac{3}{4}$ Credit per each Mwh, for CHP systems with efficiency level between 60% to 75%, $\frac{1}{2}$ Credit per each Mwh, and CHP systems with an efficiency level below 60% do not qualify for Credits.

The CARES Bill would eliminate black liquor and waste-to-energy from the RPS portfolio. The CARES Bill also changes and broadens the General Assembly purpose in creating an RPS by excising the phrase, "eliminate carbon-fueled generation from the State electric grid" and adding the phrase "achieve a net-zero carbon electric grid." The Bill includes as CERs resources that are either pre-commercial or currently limited in application. The CERs must be connected to the electric distribution grid of Maryland.

Apart from the inclusion of new sources to qualify for RECs, the other significant change is the alteration of the RPS. Under the bill, starting in 2021 and continuing through the current end of the RPS in 2029, the schedule requiring energy from qualified sources is increased by 25% going from 55.8% in 2021 to 74.5% in 2029. The previously

prescribed sub-requirement for solar to meet the solar carve-out is unchanged, however a gradually increasing percentage starting at 2.5% in 2021 to 9.2% in 2029 must be obtained from the newly qualified CERs. The extended RPS starts in 2030 with a requirement for 75% from clean and renewable resources of which; 14.5% from solar, an amount determined by the Commission from offshore wind, and 10% from clean energy resources. The new overall RPS requirement increases by 2.5% per year from 2031 to 2040 to final goal of 100%. The solar carve out remains at 14.5%, as well as, an amount from off-shore wind to be determined by the Commission. The clean energy resource requirement starts at 10% in 2030, increasing by 2% per year to 30% in 2040 and the future.

The Bill would require municipal utilities and cooperative utilities to meet the 2.5% solar carve out starting in 2020, which expands the types of utilities subject to the RPS. The Bill requires the Commission to reduce the overall RPS requirement of each year by the percentage equal to the average generation output of nuclear generation in Maryland in three previous calendar years divided by the average electricity retail sales during the same calendar years. It appears that this will offset the increases in the RPS requirement included in the Bill.

The Bill will result in uncertainty over what resources will be eligible to satisfy the amended RPS requirements. The Commission would be required to make findings on whether certain resources would permanently sequester carbon emissions from certain resources. Also, the Commission would be required to determine what resources qualified as an "emerging net-zero carbon technology." This uncertainty as to what resources would qualify as a CER may inhibit the development of those resources, which

may lead to increased costs for consumers in the form of higher credit costs or compliance penalty payments. The CER carve-out begins in 2021. However, it is unclear whether there are any CER-eligible resources available to satisfy that obligation other than CHP resources that are primarily natural gas-fueled units.