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BILL NO.: Senate Bill 781
Offshore Wind Energy – State Goals and Procurement
(Promoting Offshore Wind Energy Resources Act)

COMMITTEE: Education, Energy, and the Environment

HEARING DATE: March 7, 2023

SPONSOR: Senators Hester, Feldman, and Brooks

POSITION: Favorable

The Office of People's Counsel strongly supports Senate Bill 781 as an innovative approach to developing offshore wind energy that will help reduce the costs of the clean energy transition for residential utility customers.

The bill establishes a goal of reaching 8,500 megawatts of offshore wind electric generation capacity by 2031 and encourages the upgrade and expansion of the transmission system to accommodate this buildout. To meet this goal, SB 781 requires the Public Service Commission, in consultation with the Maryland Energy Administration and PJM Interconnection, LLC, to conduct and submit to the General Assembly an analysis of transmission system expansion options. On or before December 1, 2024, the Commission is required to issue one or more competitive solicitations for proposals for open access offshore wind transmission facilities and necessary onshore transmission upgrades and expansions. After notice and an evidentiary hearing, the Commission is required to take action on the proposals, on or before July 1, 2026.

SB 781 further requires the Department of General Services to initiate a procurement of offshore wind energy and associated renewable energy credits ("RECs"). Between July 31, 2024, and April 30, 2025, DGS must issue an invitation for bids and is authorized to enter into at least one contract for a power purchase agreement to procure between 1 million and 8 million megawatt-hours annually of offshore wind energy and associated RECs from qualified offshore wind projects. The State is required to issue a

procurement on or before July 31, 2024, and enter into a contract or contracts for the procurement on or before April 30, 2025.

As the State works to achieve the ambitious climate goals established in the Climate Solutions Now Act, offshore wind has the potential to provide clean, renewable energy at a much larger scale than either land-based wind or solar projects. Offshore wind development, however, could be inhibited by high costs for offshore transmission facilities and the onshore transmission upgrades that may occur with piecemeal, project-by-project, development. We expect that the analysis and procurement process required by SB 781 will result in lower costs for these projects by planning for projects at a larger scale and in an integrated, optimized manner for multiple offshore wind projects. That planning should lower costs relative to the separate development of transmission projects for each individual offshore wind project. OPC, therefore, supports SB 781's requirements to begin analyzing and planning now for the upgrades and expansions that will be needed to accommodate future offshore wind energy development.

OPC also strongly supports the provisions of SB 781 that authorize a portion of the costs of procurement for wind energy and associated RECs to be borne by the State as a whole, rather than solely by electric utility customers. The State cannot rely on electric utility customers alone to finance the clean energy transition necessitated by the State's climate goals. Financing clean energy through electric utility rates is regressive relative to financing State policy through the general fund. Because all residential utility customers pay the same rates regardless of income, the costs of financing programs through rates imposes a more significant burden on lower-income households than more affluent households. SB 781's reliance on the State to fund, in part, offshore wind procurement is a welcome and important step towards financing clean energy in a more equitable way.

Recommendation: OPC requests a favorable Committee report on SB 781.