

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader - Revised

House Bill 529
Economic Matters

(Delegate Jameson, *et al.*)

Renewable Energy – Tier 2 Eligibility – Extension

This bill extends “Tier 2” of the Renewable Energy Portfolio Standard (RPS) by three years, through 2021. “Tier 1” percentage requirements are unchanged, which increases the total RPS percentage requirements by 2.5% in those years, to 22.9% in 2019 and 27.5% in 2020 and 2021. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Maryland’s RPS was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. It operates on a two-tiered system with carve-outs for solar energy and offshore wind energy and corresponding renewable energy credits (RECs) for each tier. Electric companies (utilities) and other electricity suppliers must submit RECs equal to a percentage specified in statute each year or else pay a penalty equivalent to their shortfall.

Tier 1 sources include wind, geothermal, solar, and several others. Following the transfer of several sources to Tier 1, Tier 2 includes only large hydroelectric power plants. Chapters 1 and 2 of 2017 increased the Tier 1 percentage requirements from 20% by 2022

to 25% by 2020. The Tier 2 requirement, which is in addition to Tier 1, remains constant at 2.5% each year until ending after 2018.

The costs of compliance with Tier 2 were \$2.8 million in 2013, \$4.0 million in 2014, and \$2.6 million in 2015. In 2015, the most recent year for which data is available, 63% of Tier 2 RECs used for compliance were generated in Maryland. The remaining RECs were generated in surrounding states – primarily Pennsylvania and North Carolina.

The cost of Tier 2 compliance has a negligible effect on the price of electricity.

Additional Information

Prior Introductions: None.

Cross File: SB 282 (Senator Middleton) - Finance.

Information Source(s): Public Service Commission; Department of Legislative Services

Fiscal Note History: First Reader - January 29, 2018
md/lgc Revised - Clarification - February 4, 2018

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