

OPPOSE
Economic Matters Committee
2/24/2022

House Bill 624 - Electricity - Standard Offer Service - Renewable Energy

Baltimore Gas and Electric Company (BGE) opposes *House Bill 624 - Electricity - Standard Offer Service - Renewable Energy*. House Bill 624 would require that an electric company enter into long-term (10 to 20 years) contracts for renewable energy credits and electricity generated from certain Tier 1 renewable sources to meet a portion of the renewable energy portfolio standard (RPS) for the electric company. However, Senate Bill 334 also requires an electric company to sell the purchased renewable energy into the wholesale market and sell the associated renewable energy credits (RECs) as well. Therefore, there would be no RECs available to meet any portion of the RPS for the electric company and an intended goal of the legislation would be nullified. BGE further opposes House Bill 624 because it shifts the renewable resource's market risks from the asset owner to customers as all distribution customers would be responsible for the difference between the price the electric utility pays for the purchase of the renewable energy and associated RECs and the price the electric company received from the sale of the renewable energy and associated RECs. The risk of higher costs to customers, instead of the asset owner, burdens customers unnecessarily. The current REC and Solar REC markets are very liquid enabling the compliance to be satisfied at a reasonable cost for customers.

The final concern with the proposal is the length of contracts. The required 10-to-20-year contract lengths could result in imputed debt which would have a negative impact on financial credit, driving up costs further. Additionally, if prices for renewable energy decrease over a 10-to-20-year horizon, as is expected, customers would unnecessarily be paying the excess of the long-term contract price over the market price for the same product.

The cost concern has been expressed by others. Through legislation that passed through the Economic Matters Committee in 2017, the Maryland Power Plant Research program was directed to conduct a comprehensive study of the Maryland Renewable Portfolio Standard (RPS) to determine whether there are sufficient renewable energy resources to meet the Maryland RPS, the overall costs and benefits, and the effectiveness of the Maryland RPS as well as what changes might be necessary to improve the performance of the Maryland RPS or to alleviate any unintended consequences. Among many findings, the 2019 report found "Modeling suggests that reliance on long-term contracts for a portion of RPS compliance would result in higher costs than meeting the requirements through sequential short-term contracts." (Page 53, <https://dnr.maryland.gov/pprp/Documents/FinalRPSReportDecember2019.pdf>).

BGE opposes House Bill 624 because we have a system in place that works effectively, enabling seamless compliance with the renewable portfolio standard requirements. Modifying the process, as proposed here, would risk higher costs to customers with no corresponding benefit. BGE recommends an unfavorable report from the Committee.