



February 22, 2022

**HB 624 - Electricity - Standard Offer Service - Renewable Energy - SUPPORT**

Dear Chair Wilson, Vice Chair Crosby, and members of the House Economic Matters Committee,

The Mid-Atlantic Renewable Energy Coalition (MAREC Action) is a regional advocacy organization representing utility-scale solar, wind and energy storage technologies in Maryland and across the PJM grid. MAREC Action strongly supports HB 624 because it's going to save ratepayers money, spur the building of new, renewable energy projects in our region, and bring us closer to meeting our Renewable Portfolio Standard goal.

Long-term contracts work. Technology advances in clean energy mean that the lifetime cost of energy generation is easy to predict. Buying that energy through long-term contracts means that these new renewable energy projects can offer prices that are competitive with any type of new generation on the market. Because wind and solar energy do not have any fuel costs, unlike coal and natural gas, these contracts eliminate price volatility. HB 624 requires that in 2023, electric companies would be required to procure 25% of their RPS requirement through long-term (10-20 years) renewable energy contracts that are competitively bid. Today, all of our energy is procured 2 years at a time, which means ratepayers are left vulnerable to market spikes. By taking just a portion of the RPS – 25% – and meeting those requirements using 10-20 year contracts, we minimize the impact to the market but leave the door open for significant savings to rate payers. With this proposal, 95% of Maryland energy procurement stays the same. The impacts to the market would be minimal but the potential for ratepayer savings is high.

MAREC Action believes that the current Standard Offer Service option has been generally effective in serving ratepayers, who choose to stay with their electric service supplier. All this bill will do is ensure that a relatively small portion of that supply is invested in a stable long-term vehicle, which is no different than an investor trying to balance a portion of his/her portfolio with a mix of short- and longer-term investments. While cost for new solar and wind projects remain low, it makes sense to lock-in today. Any risk of a long-term contract under this bill is mitigated by the fact that any potential contracts must be competitively bid and then approved by Public Service Commission (PSC). So, if a project is pricing out over a long-term view at higher costs for ratepayers than without the contract, it would be incumbent on the PSC to reject that project.

The other significant advantage that this bill provides is a vehicle to help ensure that the requirements of the Maryland renewable energy portfolio (RPS) law are met efficiently and cost-effectively. Long-term contracts will ensure the development of projects as they are then able to secure lower cost financing because the projects will have off-takers and, these contracts will consequently get projects to the finish line. These types of vehicles are needed to ensure that the RPS compliance are met in a timely way.



Up and down the east coast, other states agree:

- DC Government is already saving money through long-term contracts – the city government signed a long-term contract for wind energy and projects \$45 million in taxpayer savings. It also has a pilot program for long-term contracts underway.
- Massachusetts projects \$682 million in ratepayer savings through long-term contracts to meet RPS requirements.
- CT projects reducing ratepayers' electricity costs by \$219 million to meet RPS requirements through long-term contracts.
- Maine, Rhode Island, New Jersey, Georgia, and Alabama all have their own programs, that value the concept of long-term contracts.

MAREC strongly supports the amendments offered by the sponsor – we know long-term contracts work and we appreciate the opportunity HB 624.

Sincerely,

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