Recent RPS Studies: Maine and Maryland

Hosted by
Warren Leon, Executive Director, CESA

April 15, 2020
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Webinar Speakers

Rebecca Widiss
Senior Analyst, Exeter Associates

Matthew Hoyt
Senior Analyst, Exeter Associates

Jason Gifford
Senior Director, Sustainable Energy Advantage

Patrick Knight
Principal Associate, Synapse Energy Economics

Warren Leon
Executive Director, Clean Energy States Alliance (moderator)
AGENDA

- Background
  - Maryland RPS
  - Study Origins and Approach

- Findings
  - REC Sources
  - Rate Impacts
  - Emissions Impacts
  - Job Creation
  - Environmental Justice

- Parting Thoughts
First enacted in 2004, amended 11 times, most recently in May 2019.
Maryland RPS Overview (cont.)

- Requires that 50% of retail energy sales come from renewable energy resources by 2030
  - 14.5% from in-state solar by 2028
  - 2.5% from Tier 2 resources (i.e., hydropower) through 2020
  - 386 MW of approved offshore wind
  - 1,200 MW of additional offshore wind (to be added in 2026, 2028, and 2030)
- Represents a compromise between many stakeholders
  - Allows MSW and black liquor as Tier 1 resources
  - Has relatively broad geographic eligibility (within PJM, and eligible resources outside of PJM that are transmitted into PJM)
  - Is pseudo-split between encouraging new resources (solar and offshore wind) and maintaining existing resources (MSW, black liquor, hydro), lowering costs, and promoting in-state development, reducing emissions and supporting jobs, etc.
STUDY ORIGINS AND APPROACH

- HB 1414, enacted in 2017
  - Directed PPRP to study the Maryland RPS with 17 General and Specific requirements, including:
    - Effectiveness of the RPS along several economic and environmental dimensions
    - Availability and cost of renewable energy resources
    - Impact of alterations to the Maryland RPS
    - Potential to meet future Maryland RPS standards

- SB 516, enacted in 2019
  - Increased the MD RPS to 50% (among other changes)
  - Amended RPS study to expand one existing requirement and added one new requirement

Overarching Focus
- How policy design affects performance

Methods
- Stakeholder engagement (e.g., NREL, LBNL, PJM, MD agencies)
- Assessment of existing research (e.g., production cost modeling)
- New research (e.g., IMPLAN modeling, Descriptive Analysis)

Timeline
- October 2017: PPRP RFP
- May 2018: Exeter approved
- December 2019: Final Report
**FINDINGS: REC SOURCES**

- RECs retired for Maryland RPS compliance are diverse in fuel type

- This resource mix is on a par with PA’s and more diverse than three other states in PJM

**RECs Retired for Tier 1 Non-Carve-out RPS Compliance, by Fuel Source**

**RECs Retired for Tier 1 Non-Carve-out RPS Compliance in Select States, by Fuel Source (2017)**
- Half of RECs are from facilities that were in operation before 2004

- Most RECs retired for RPS compliance are from out-of-state sources

**RECs Retired for Maryland RPS Compliance, by Plant Age and RPS Category**

- **Out-of-State: Tier 1 Non-Solar**
- **In-State: Tier 2**
- **In-State: Tier 1 Non-Solar**

**Maryland REC Retirement, by Location and RPS Category**

- **Out-of-State: Tier 2**
- **In-State: Tier 1 Solar**

**Online in 2004 or before**

**Online after 2004**
**FINDINGS: RATE IMPACTS**

- Compliance costs peaked at 1.8% of retail electric utility bills in 2016, fell to 1.0% in 2017

Maryland RPS Ratepayer Impact as a Percent of Total Retail Bills

- Maryland’s RPS compliance costs, as a share of retail bills, place it in the middle of PJM states

RPS Ratepayer Impact as a Percent of Total Retail Bills Across PJM (2010-2017)
Maryland’s carve-out requirements, especially for offshore wind, will likely raise future RPS compliance costs.

**Estimated Average Monthly RPS Compliance Costs for Maryland Residential Customers, 25% RPS and 50% RPS**
**FINDINGS: EMISSIONS**

- PJM-wide CO$_2$ emissions were approximately 0.8% lower in 2017 than they would have been absent the Maryland RPS
  - Assumes all retired RECs supported resources that would not have operated otherwise
  - Given Maryland’s small contribution to PJM energy sales (8%), this impact is notable
- By contrast, the SO$_2$ and NOx emissions profiles of Maryland RPS resources, on average, are equal to or slightly higher than net PJM generation since 2010
FINDINGS: JOBS

- The Maryland RPS has resulted in modest in-state economic development, including jobs with higher-than-average salaries.

Change in Energy Sector Job Categories in Select States in PJM, from 2016 to 2018
The Maryland RPS will generate an estimated 39,300 full-time equivalent (FTE) jobs and $7.6 billion in in-state sales revenue from 2019-2030.

### Mid-Atlantic Companies with the Potential to Supply OSW Components

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<th>DE</th>
<th>NJ</th>
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</tr>
<tr>
<td>Services</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>34</td>
<td>4</td>
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<td>53</td>
<td>4</td>
<td>15</td>
<td>81</td>
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</table>
**FINDINGS: ENVIRONMENTAL JUSTICE**

- Environmental justice (EJ) communities have received a disproportionately low share of the benefits associated with renewable energy projects in Maryland
  - EJ communities represent 43% of the state's population, but receive 25% of the overall benefits associated with utility-scale renewable energy
  - Distributed solar projects in Maryland are also less likely in EJ communities

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*Legend*
- Solar Site - Operational
- Solar Site - Proposed
- Solar Site - Under Construction
- Wind Site - Operational
- RPS - Certified Facility Not Solar or Wind
- Environmental Justice Community

*Maryland Environmental Justice Communities and RPS-Certified Projects*
PARTING THOUGHTS

- **Maryland RPS**
  - Sparked new wind and solar capacity and will spur offshore wind
  - Modestly increased jobs while lowering CO$_2$ emissions
  - Is unusual in allowing MSW and BLQ
  - Met goals to date, at a reasonably low cost

- **The future of the Maryland RPS depends on what goals are most important to policymakers**
  - Some goals necessarily involve trade-offs
  - Past goals of RPS may not match desired goals going forward

- **Additional resources in the report**
  - Primers on non-RPS policies
  - Quantification of technical and economic potential for all types of renewable energy (RE) throughout PJM
  - Detailed discussion of REC markets
  - Review of the impacts of policy changes to the Maryland RPS
  - Evaluation of potential strengths and weaknesses of a variety of potential policy changes that apply to other states as well
Expanding Maine’s Renewable Portfolio Standard: Creating Economic and Environmental Benefits

Clean Energy States Alliance webinar

April 15, 2020

Jason Gifford, Senior Director at Sustainable Energy Advantage
Pat Knight, Principal Associate at Synapse Energy Economics
Who we are

**Sustainable Energy Advantage**

- Founded in 1998
- SEA works to help private, public and non-profit organizations develop opportunities for clean, renewable sources of energy in competitive wholesale and retail electricity markets
- Publishes the New England Renewable Energy Market Outlook 3X per year

**Synapse Energy Economics**

- Founded in 1996
- Leader for public interest and government clients in providing rigorous analysis of the electric power sector
- Staff of 30+ includes experts in energy and environmental economics and environmental compliance

- In addition to other projects in New England and throughout the United States, SEA and Synapse have partnered 8 times in the past 3 years to estimate the impact of clean energy deployment in New England
- Clients have included state agencies, utilities, developers, and advocates
- Our foundation is rigorous, industry-standard, analysis of the electricity sector and associated systems
Purpose of analysis: 80 percent by 2030

• SEA and Synapse were hired by a coalition of renewable and environmental advocates in Maine to assess the impacts of increasing Maine’s Class 1 renewable portfolio standard (RPS)

• Prior to 2019, Maine had two classes of RPS:
  • Class 1: Required RPS-obligated entities to procure 10 percent of their power from qualifying resources built, repowered, or returning to service on or after 9/1/2005
  • Class 2: Required RPS-obligated entities to procure 30 percent of their power from qualifying resources built before 9/1/2015
  • Together, the RPS required that suppliers procure 40 percent of their electricity from renewables

• Our clients sought to understand the impacts of increasing the Class 1 RPS from 10 percent to 50 percent. This would increase the total quantity of renewables from 40 percent to 80 percent

We compared two scenarios:

• A “Reference case” where Maine’s RPS remains at 10% through 2030

• A “80% by 2030 case” where Maine’s Class 1 RPS is increased to 50% by 2030 (Class 2 stays at 30%)
RPS policies in New England

- New England renewable energy markets are complex
- Each of the six states has its own RPS
- Each state’s RPS has multiple classes:
  - Some focus on spurring new renewable capacity
  - Some focus on maintaining existing renewables
- Each state has different RPS eligibility rules
  - Numerous overlaps between classes

*Regional market dynamics are central to understanding state-specific outcomes.*
Study findings: Increased Maine demand met by combination of new supply and expected regional surplus

- “Wind, Solar, and Other” denote generation in operation as of 2018
- “New Wind, New Solar, and New Other” represent the expectation of additional renewable energy buildout to satisfy regional RPS obligations
- The 80% by 2030 case produces an additional 1,200 MW by 2030; 700 MW are expected to be in Maine
  - 500 MW solar, 200 MW wind
- Remaining supply to meet 80% by 2030 will come from projected surplus of regional Class 1 supply (see next slide).
- The State of Maine benefits from in-state renewable impacts resulting from:
  - Maine’s own RPS
  - Other state’s RPS
Study findings: Policy-driven supply creates long-term regional surplus

• These charts compare incremental RPS demand to policy-driven supply in Maine (left) and MA, CT, and RI (right).
  
  • Maine: Incremental demand for RECs in the 80% by 2030 Case (orange area) is less than incremental policy-driven supply for 2020-2022 and 2027-2030. Remaining demand must be met with current and expected regional supply (see next bullet). Between 2023 and 2026, Maine’s proposed policies (long-term contracting & distributed generation) create more incremental supply than incremental demand.
  
  • MA, CT, and RI: By 2025, incremental policy-driven supply exceeds incremental demand, creating regional surplus that easily fulfills the remainder of Maine’s incremental demand after 2026.
**Benefit and impact modeling methodology**

**REMO** uses detailed, state-specific supply and demand curves paired with detailed knowledge of state policies to project buildouts of renewables and associated costs for each state in New England.

**EnCompass** is a production-cost and capacity-expansion model of the electric sector. It uses inputs (including demand, resource costs, and regulatory requirements) to estimate hourly impacts on the electricity system, including changes in generation, emissions, and capacity.

**COBRA** is a health impacts screening and mapping tool. COBRA uses county-level inputs on changes in criteria pollutants to estimate impacts on public health. Impacts include morbidity and monetized health effects.

**REMO** and **EnCompass** are linked through energy and capacity prices, allowing REMO to predict renewable builds and EnCompass to analyze changes in energy prices and renewable incentives.

**Rate & Bill Impact Model** analyzes changes in electricity bills and utility revenue, integrating information from REMO and EnCompass.

**Grid emissions of criteria pollutants** from REMO and **Grid operation and expansion** from EnCompass feed into **COBRA**, enabling the estimation of health impacts.

**IMPLAN** is an economic input-output model that assesses positive and negative job impacts (measured in jobs per year) associated with spending changes on various sectors, as well as changes to statewide GDP, tax revenue, and labor earnings.

Synapse has developed a custom-built **Rate & Bill Impact Model** to analyze rate and bill for residential, commercial, and industrial customers. This model takes into account changes in wholesale energy and capacity prices, as well as changes to renewable costs prices.
Increasing the Class 1 Maine RPS to 50 percent by 2030...

1. Creates a net increase of 1,900 jobs between 2020 and 2030, equivalent to 170 Maine jobs per year

2. Reduces in-state CO₂ emissions by 10% in 2030, relative to a Reference case
   - Reduces regionwide 2030 electric-sector CO₂ emissions by 0.5 MMT
   - Were Maine to be credited for 2030 region-wide electric-sector CO₂ emissions, Maine’s emissions would fall by 55 percent, relative to a Reference case

3. From 2020 to 2030, reduces criteria pollutants by the following amounts, relative to a Reference case:
   - 1.4 million pounds of NOₓ
   - 1.2 million pounds of SO₂
   - This translates into avoided health benefits of $500,000 per year, relative to a Reference case
Study findings: Market cost impacts and bill impacts

Increasing the Class 1 Maine RPS to 50 percent by 2030...

4. Projected net cost to Maine: $21 million per year
   • Increases RPS costs in Maine by $43 million per year, on average between 2020 and 2030
   • Decreases wholesale energy costs (energy and capacity market) by $22 million per year
   • Impacts are smaller in the early to mid 2020s because of current surplus in renewable supply
   • As a point of reference, Maine’s 2018 electricity costs (including energy, capacity, and RPS) totaled about $700 million

5. Increases electric bills for Maine residential ratepayers by 1.1 percent, or about $1.16 per month
   • Average from 2020 to 2030, relative to Reference case
   • Takes into account changes to REC prices, capacity prices, and wholesale energy prices, and include the impact of price suppression from renewables

6. Increases electric bills for Maine small commercial and industrial (C&I) ratepayers by 1.1 percent, or about $1.76 per month
   • We did not specifically analyze bill impacts for medium and large C&I ratepayers—these customers frequently have complex or even unique electric rate structures, which may include kW charges or reactive demand charges.
Jason Gifford, Senior Director  
Sustainable Energy Advantage  
jgifford@seadvantage.com | 508.665.5856

Pat Knight, Principal Associate  
Synapse Energy Economics  
pknight@synapse-energy.com | 617.453.7051
Thank you for attending our webinar

Warren Leon  
CESA Executive Director  
wleon@cleanegroup.org

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State Pollinator-Friendly Solar Initiatives
Tuesday, May 5, 1-2:30pm ET

100% Clean Energy States and the 100% Clean Energy Collaborative
Monday, May 11, 3-4pm ET

Decarbonizing Electricity: The Critical Role of Firm Low-Carbon Resources
Friday, May 15, 2-3pm ET

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