



Maryland SREC Market Update

December 14, 2020

- Implications of Maryland Clean Energy Jobs Act
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IMPLICATIONS OF MARYLAND CLEAN ENERGY JOBS ACT



- On May 22nd, 2019, MD Governor Larry Hogan announced his decision to let the Maryland Clean Energy Jobs Act (CEJA) pass without his signature.
- **RPS:** The Act establishes increased RPS and solar carve-out schedules through 2030; the RPS and solar carve out schedules reach 50% by 2030 and 14.5% by 2028, respectively.
- **ACP:** The ACP has been lowered and will decrease year after year, reaching \$22.35 in 2030.

| Year | Previous Solar Carve-Out | CEJA Solar Carve-Out | Previous SACP | CEJA SACP |
|------|--------------------------|----------------------|---------------|-----------|
| 2019 | 1.95% | 5.50% | \$150.00 | \$100.00 |
| 2020 | 2.50% | 6.00% | \$125.00 | \$100.00 |
| 2021 | 2.50% | 7.50% | \$100.00 | \$80.00 |
| 2022 | 2.50% | 8.50% | \$75.00 | \$60.00 |
| 2023 | 2.50% | 9.50% | \$60.00 | \$45.00 |
| 2024 | 2.50% | 10.50% | \$50.00 | \$40.00 |
| 2025 | 2.50% | 11.50% | \$50.00 | \$35.00 |
| 2026 | 2.50% | 12.50% | \$50.00 | \$30.00 |
| 2027 | 2.50% | 13.50% | \$50.00 | \$25.00 |
| 2028 | 2.50% | 14.50% | \$50.00 | \$25.00 |
| 2029 | 2.50% | 14.50% | \$50.00 | \$22.50 |
| 2030 | 2.50% | 14.50% | \$50.00 | \$22.35 |

EXEMPT LOAD CONTRACT IMPLICATIONS



- **Exempt Load:** Electricity load that is entered into contracts signed prior to October 1, 2019 (the effective date of the Maryland Clean Energy Jobs Act) will be exempt from the new compliance obligations. This portion of the load will continue to comply with previous compliance obligations.
- **Roll-off Rate per Year:** Naturally, the exempt load will experience a roll-off each year as previous contracts expire.

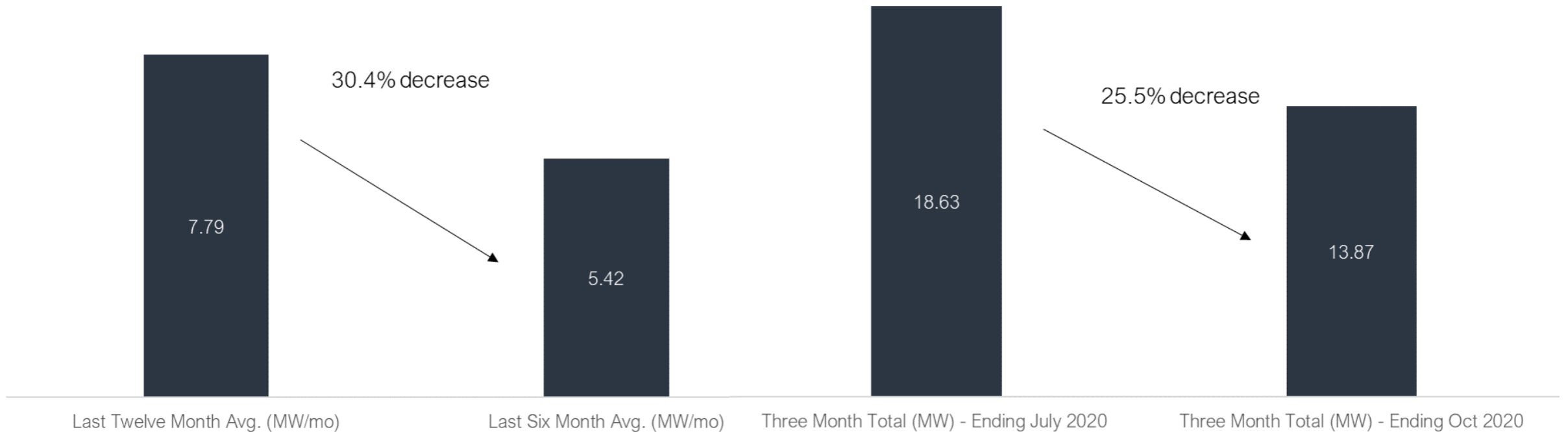
| Contracts signed prior to October 1, 2019 | | |
|-------------------------------------------|-----------|-------|
| Year | Solar RPS | ACP |
| 2019 | 1.95% | \$150 |
| 2020 | 2.50% | \$125 |
| 2021 | 2.50% | \$100 |
| 2022 | 2.50% | \$75 |
| 2023 | 2.50% | \$60 |

| Contracts signed after October 1, 2019 | | |
|----------------------------------------|-----------|-------|
| Year | Solar RPS | ACP |
| 2019 | 5.50% | \$100 |
| 2020 | 6.00% | \$100 |
| 2021 | 7.50% | \$80 |
| 2022 | 8.50% | \$60 |
| 2023 | 9.50% | \$45 |

MD SOLAR BUILD RATES



Monthly build over the last 6 months has decreased by 30.4% to 5.42 MW/month as compared to 7.79 MW/month over the last 12 month (LTM) average. Total quarterly MW build for the three months ending in Oct 2020 was 25.5% lower than the previous quarter reflecting a build slow down.



The following analysis assumes the following:

- Electric load growth remains flat at 2019 MWh sold – 59.4 million MWh per year through 2024 with 2020 being the exception. 2020 forecasted to be 95% of 2019 MWh sold ~ 56.4 million, due to COVID-related electricity sales decline. (source: [MD PSC RPS Report for Compliance Year 2019](#))
- Capacity data sourced from GATS on December 14, 2020. Data is only utilized through October 2020 due to systems receiving interconnection approval in November but not yet being registered with GATS.
- Load served under contracts signed *prior* to the effective date of Maryland Clean Energy Jobs Act (Oct 1, 2019) is 75% of the total load in 2020, rolling off in even increments over the next three years (CY2020, CY2021, CY2022)*.
- Scenarios presented are derived from Last Twelve Month (LTM) average build rates per month (Nov 2019 – Oct 2020). Due to the variability of build rates, three scenarios are presented representing different rates of new capacity acceleration – 100%/200%/300% of current LTM build rates per month.
- The SREC production capacity factor is 12.56%; based off of the past 12 months average SREC production, 1 MW is expected to produce an estimated 1,100 MWh per year.

**Based on SRECTrade estimates and may not represent actual exempt electric load in the state.*

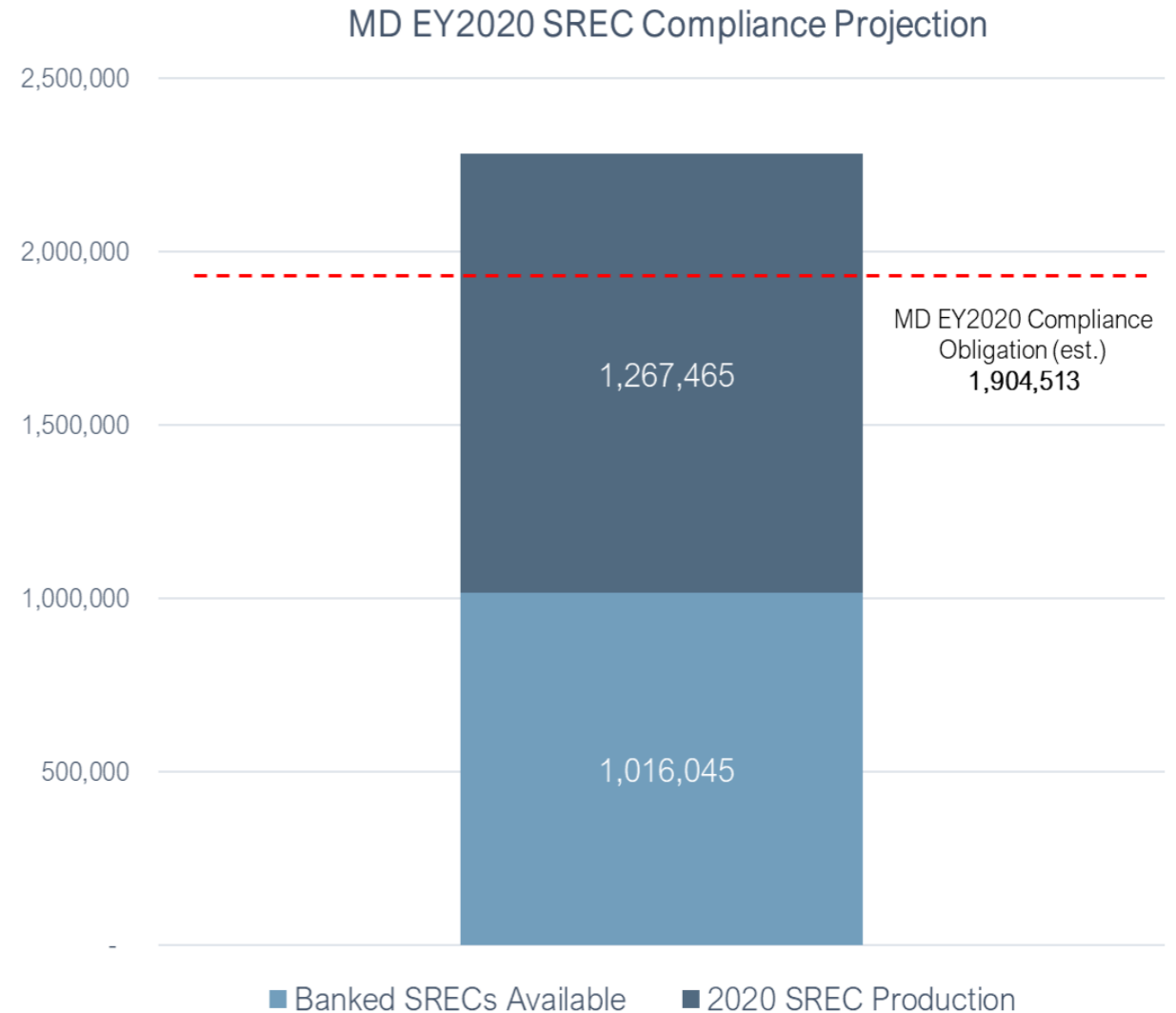
Using GATS recent issuance data as of Dec 2020

2020 Supply and Demand Summary

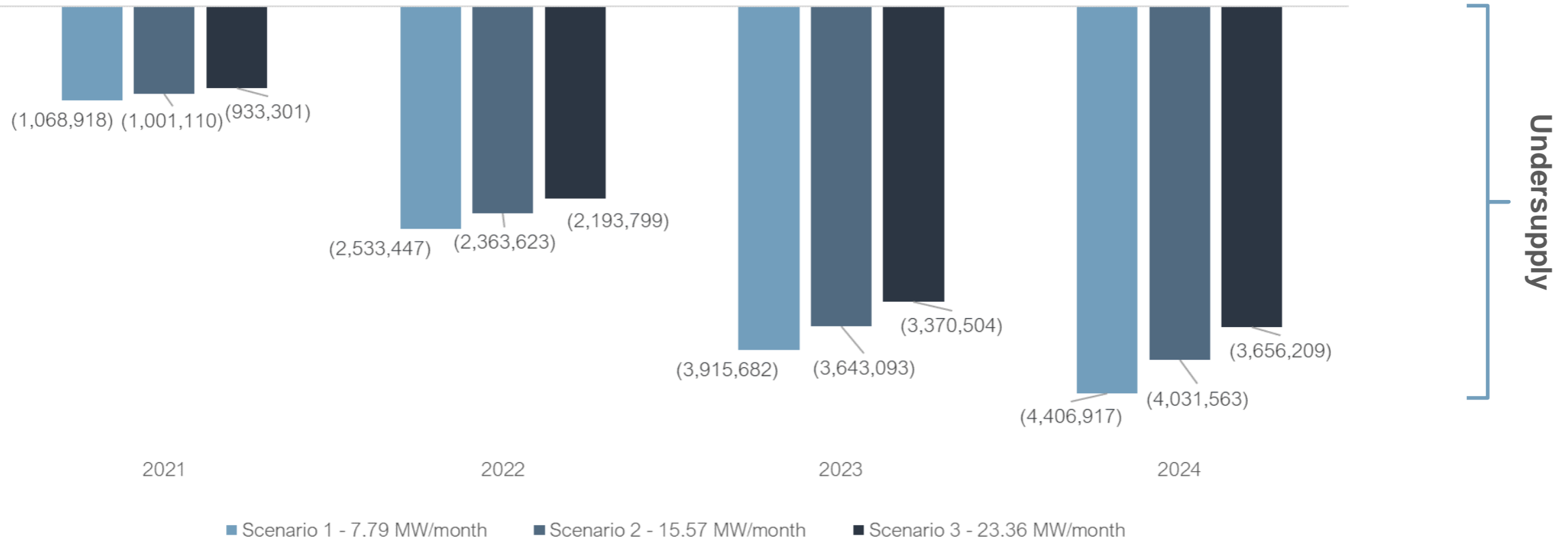
- MD Banked SRECs Available for Compliance:
2018 = **165,955**; 2019 = **850,090**
- Est. 2020 SREC Production: **1,267,465**
- Est. Compliance Obligation: **1,904,513**
- Oversupply: **378,997** (19.9% of obligation)

Factors that could impact this include:

- Final MD 2020 electric load figures
- Final MD 2020 SREC production
- Exempt load electricity contracts



FORECASTED SUPPLY : BUILD RATE SCENARIOS



| Forecasted SREC (Over) / Under Supply | 2021 | 2022 | 2023 | 2024 |
|---------------------------------------|--------|--------|--------|--------|
| Scenario 1 - 7.79 MW/month | -36.0% | -60.9% | -69.4% | -70.7% |
| Scenario 2 - 15.57 MW/month | -33.7% | -56.8% | -64.6% | -64.6% |
| Scenario 3 - 23.36 MW/month | -31.4% | -52.8% | -59.7% | -58.6% |

FORECASTED SUPPLY : BUILD RATE SCENARIO DETAIL



| Compliance year | 2021 | 2022 | 2023 | 2024 |
|---------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Scenario 1 - 100% of LTM Average MW is Added Per Month Throughout the Forecast | | | | |
| MD SREC Requirements | 2,970,000 | 4,158,000 | 5,643,000 | 6,237,000 |
| Less: Excess SRECs From Prior Period | 379,293 | - | - | - |
| Less: Scenario 1 Estimated SRECs Produced | 1,521,788 | 1,624,553 | 1,727,318 | 1,830,083 |
| # of SRECs (Under) / Over Supplied | (1,068,918) | (2,533,447) | (3,915,682) | (4,406,917) |
| Scenario 2 - 200% of LTM Average MW is Added Per Month Throughout the Forecast | | | | |
| MD SREC Requirements | 2,970,000 | 4,158,000 | 5,643,000 | 6,237,000 |
| Less: Excess SRECs From Prior Period | 380,043 | - | - | - |
| Less: Scenario 2 Estimated SRECs Produced | 1,521,788 | 1,624,553 | 1,727,318 | 2,205,437 |
| # of SRECs (Under) / Over Supplied | (1,068,169) | (2,533,447) | (3,915,682) | (4,031,563) |
| Scenario 3 - 300% of LTM Average MW is Added Per Month Throughout the Forecast | | | | |
| MD SREC Requirements | 2,970,000 | 4,158,000 | 5,643,000 | 6,237,000 |
| Less: Excess SRECs From Prior Period | 380,792 | - | - | - |
| Less: Scenario 3 Estimated SRECs Produced | 1,655,907 | 1,964,201 | 2,272,496 | 2,580,791 |
| # of SRECs (Under) / Over Supplied | (933,301) | (2,193,799) | (3,370,504) | (3,656,209) |

HISTORIC MD SREC PRICING



MD2020 market: \$80 bid @ \$84 offer

MD2021 market: \$75 bid @ \$79 offer

