



# Maryland SREC Market Update

July 13, 2021

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# IMPLICATIONS OF MARYLAND CLEAN ENERGY JOBS ACT



- On May 22, 2019, Maryland Governor Larry Hogan announced his decision to let the Maryland Clean Energy Jobs Act (CEJA) pass without his signature.
- On June 1, 2021, Maryland's updated Renewable Portfolio Standard (RPS) went into effect.
- **RPS:** The Act still establishes RPS and solar carve-out schedules through 2030; the RPS and solar carve out schedules reach 50% and 14.5% by 2030, respectively.
- **ACP:** The ACP has been increased starting in 2023 and will decrease until reaching \$22.50 in 2030.

| Year | Legacy Solar Carve-Out | Previous CEJA Solar Carve-Out | CEJA Solar Carve-Out | Previous SACP | CEJA SACP |
|------|------------------------|-------------------------------|----------------------|---------------|-----------|
| 2020 | 2.50%                  | 6.00%                         | 6.00%                | \$100.00      | \$100.00  |
| 2021 | 2.50%                  | 7.50%                         | 7.50%                | \$80.00       | \$80.00   |
| 2022 | 2.50%                  | 8.50%                         | 5.50%                | \$60.00       | \$60.00   |
| 2023 | 2.50%                  | 9.50%                         | 6.00%                | \$45.00       | \$60.00   |
| 2024 | 2.50%                  | 10.50%                        | 6.50%                | \$40.00       | \$60.00   |
| 2025 | 2.50%                  | 11.50%                        | 7.00%                | \$35.00       | \$55.00   |
| 2026 | 2.50%                  | 12.50%                        | 8.00%                | \$30.00       | \$45.00   |
| 2027 | 2.50%                  | 13.50%                        | 9.50%                | \$25.00       | \$35.00   |
| 2028 | 2.50%                  | 14.50%                        | 11.00%               | \$25.00       | \$32.50   |
| 2029 | 2.50%                  | 14.50%                        | 12.50%               | \$22.50       | \$25.00   |
| 2030 | 2.50%                  | 14.50%                        | 14.50%               | \$22.50       | \$22.50   |

# 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.

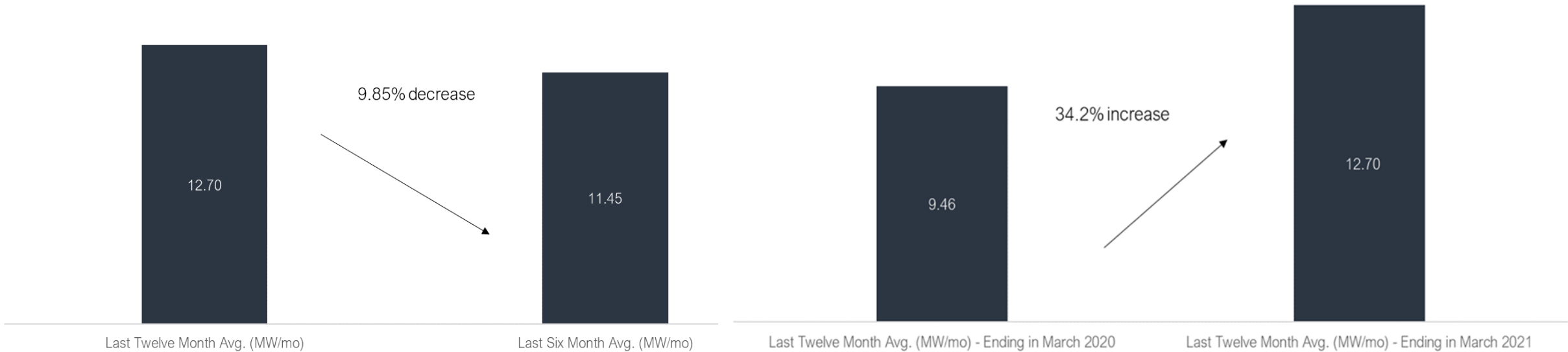
| Contracts signed prior to October 1, 2019 |           |       |
|---|-----------|-------|
| Year                                      | Solar RPS | ACP   |
| 2020                                      | 2.50%     | \$125 |
| 2021                                      | 2.50%     | \$100 |
| 2022                                      | 2.50%     | \$75  |
| 2023                                      | 2.50%     | \$60  |
| 2024                                      | 2.50%     | \$50  |

| Contracts signed after October 1, 2019 |           |       |
|--|-----------|-------|
| Year                                   | Solar RPS | ACP   |
| 2020                                   | 6.00%     | \$100 |
| 2021                                   | 7.50%     | \$80  |
| 2022                                   | 5.50%     | \$60  |
| 2023                                   | 6.00%     | \$60  |
| 2024                                   | 6.50%     | \$60  |

# MD SOLAR BUILD RATES



Monthly build over the last 6 months has decreased by 9.85% to 11.45 MW/month as compared to 12.70 MW/month over the last 12 month (LTM) average. While monthly build over the last 12 months (ending in March 2021) has increased by 34.2% to 12.70 MW/month from 9.46 MW/month from the previous last 12 months (ending in March 2020).



Source: PJM GATS. Last 12 month and last 6 month averages use data through March 2021, updated July 2021. Data subject to change due to late registration with PJM-GATS.

The following analysis assumes the following:

- Electric load growth forecasted to be 97.0% of 2019 MWh sold ~57.6 million MWh per year for 2021 through 2024 (source: [MD PSC RPS Report for Compliance Year 2019](#))
- Capacity data sourced from GATS on July 12, 2021. Data is only utilized through March 2021 due to systems receiving interconnection approval in April, May & June 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 50% of the total load in 2021, rolling off in even increments over the next two years (CY2021, CY2022)\*.
- We assume no load will be grandfathered from the recent June 1, 2021 RPS update.
- Scenarios presented are derived from Last Twelve Month (LTM) average build rates per month (April 2020 – March 2021). 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 12.0%; based off of the past 12 months average SREC production from PJM GATS data, 1 MW is expected to produce an estimated 1,050 MWh per year.

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

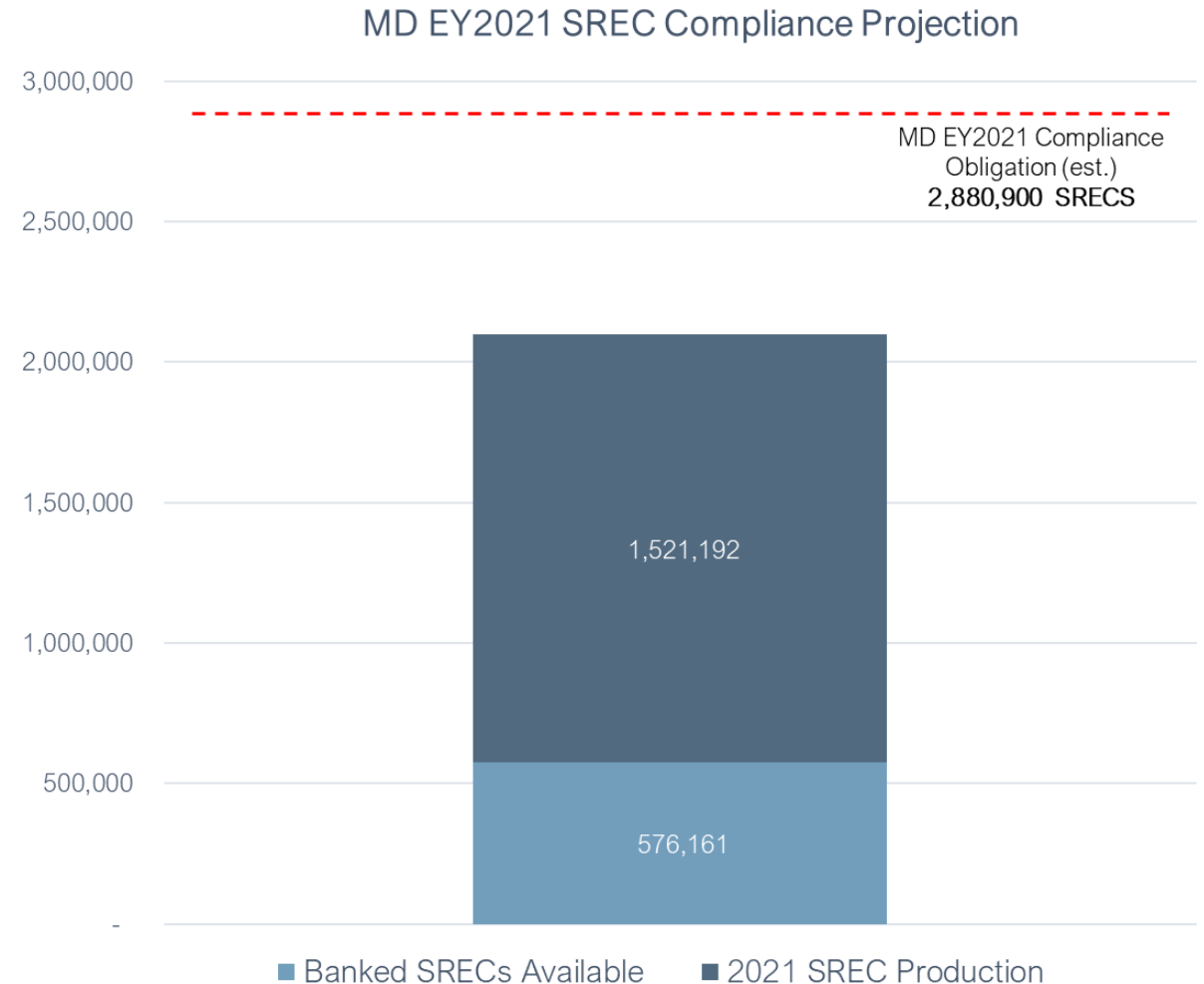
Using GATS recent issuance data as of May 2021

## 2021 Supply and Demand Summary

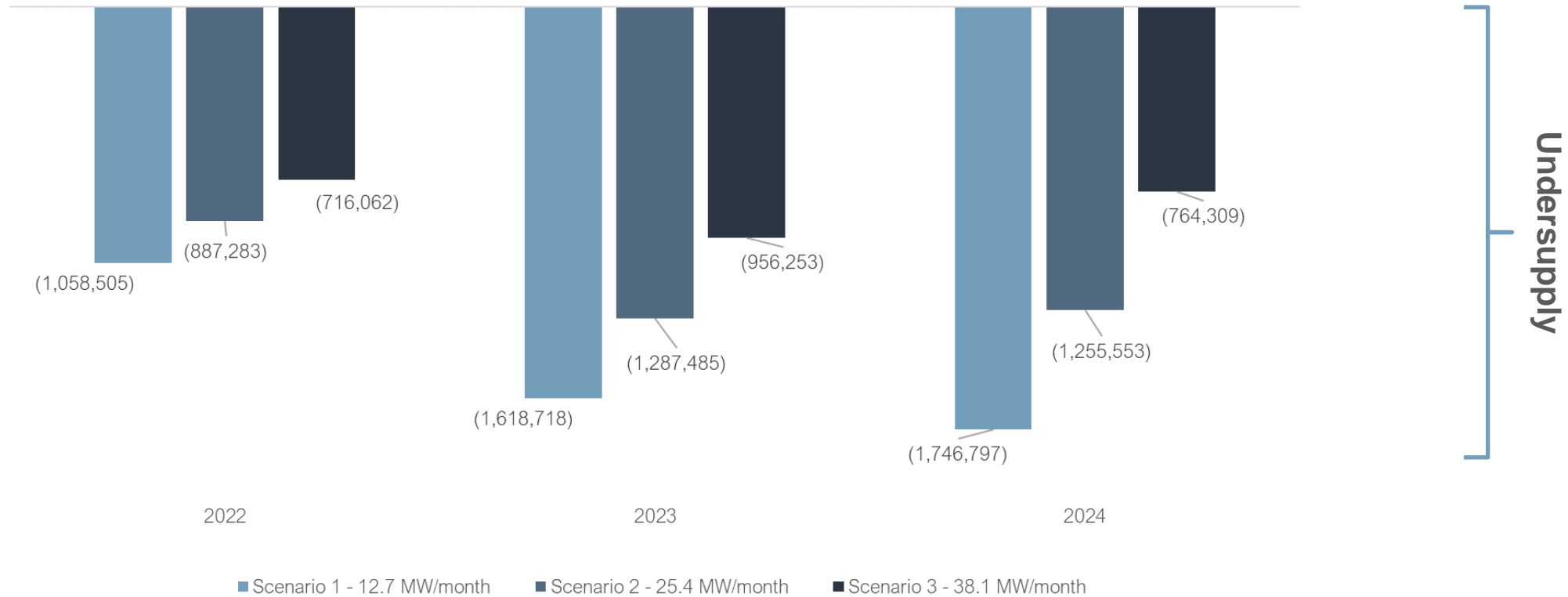
- MD Banked SRECs Available for Compliance:  
2019 = **143,672**; 2020 = **432,489**
- Est. 2021 SREC Production: **1,521,192**
- Est. Compliance Obligation: **2,880,900**
- Undersupply: **783,547** (27.2% of obligation)

Factors that could impact this include:

- Final MD 2021 electric load figures
- Final MD 2021 SREC production
- Exempt load electricity contracts



# FORECASTED SUPPLY : BUILD RATE SCENARIOS



| Forecasted SREC (Over) / Under Supply | 2022   | 2023   | 2024   |
|---------------------------------------|--------|--------|--------|
| Scenario 1 - 12.7 MW/month            | -38.7% | -46.8% | -46.6% |
| Scenario 2 - 25.4 MW/month            | -32.4% | -37.2% | -33.5% |
| Scenario 3 - 38.1 MW/month            | -26.2% | -27.7% | -20.4% |



## FORECASTED SUPPLY : BUILD RATE SCENARIO DETAIL



| Compliance year   | 2022               | 2023               | 2024               |
|---|--------------------|--------------------|--------------------|
| <b>Scenario 1 - 100% of LTM Average MW is Added Per Month Throughout the Forecast</b> |                    |                    |                    |
| MD SREC Requirements  | 2,736,855          | 3,457,080          | 3,745,170          |
| Less: Excess SRECs From Prior Period  | -                  | -                  | -                  |
| Less: Scenario 1 Estimated SRECs Produced   | 1,678,350          | 1,838,362          | 1,998,373          |
| <b># of SRECs (Under) / Over Supplied</b>   | <b>(1,058,505)</b> | <b>(1,618,718)</b> | <b>(1,746,797)</b> |
| <b>Scenario 2 - 200% of LTM Average MW is Added Per Month Throughout the Forecast</b> |                    |                    |                    |
| MD SREC Requirements  | 2,736,855          | 3,457,080          | 3,745,170          |
| Less: Excess SRECs From Prior Period  | -                  | -                  | -                  |
| Less: Scenario 2 Estimated SRECs Produced   | 1,849,572          | 2,169,595          | 2,489,617          |
| <b># of SRECs (Under) / Over Supplied</b>   | <b>(887,283)</b>   | <b>(1,287,485)</b> | <b>(1,255,553)</b> |
| <b>Scenario 3 - 300% of LTM Average MW is Added Per Month Throughout the Forecast</b> |                    |                    |                    |
| MD SREC Requirements  | 2,736,855          | 3,457,080          | 3,745,170          |
| Less: Excess SRECs From Prior Period  | -                  | -                  | -                  |
| Less: Scenario 3 Estimated SRECs Produced   | 2,020,793          | 2,500,827          | 2,980,861          |
| <b># of SRECs (Under) / Over Supplied</b>   | <b>(716,062)</b>   | <b>(956,253)</b>   | <b>(764,309)</b>   |

# HISTORIC MD SREC PRICING



MD2021 market: \$77.50 bid @ \$79.00 offer  
MD2022 market: \$57.00 bid @ \$59.00 offer

