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TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

An Act To Expand Maine's Clean Energy Economy
L.D. 1350

GOVERNOR'S ENERGY OFFICE
April 20, 2021

Senator Lawrence, Representative Berry, and Members of the Joint Standing Committee on Energy, Utilities and Technology (EUT): My name is Melissa Winne and I am the Energy Policy Analyst for the Governor's Energy Office (GEO).

The GEO testifies in general support of L.D. 1350.

This proposed legislation would authorize two additional competitive solicitations by the Public Utilities Commission (PUC) for contracts with Class IA resources to equal an amount of energy or renewable energy credits equal to 15% of retail electricity sales in the State during calendar year 2019. Commercial operation for those resources is required to begin after June 30, 2021. Additionally, this bill would require special consideration to selection of projects in economically depressed areas of the State and to consider evidence of project viability.

RPS Procurements

During the 129th Legislative Session, the Maine Legislature enacted an Act To Reform Maine's Renewable Portfolio Standard (P.L. 2019, Chapter 477). This Act increased Maine's Renewable Portfolio Standard, requiring 80% of Maine's electricity to come from renewable sources by 2030, with a goal of 100% by 2050. This Act also directed the PUC to conduct two competitive solicitation processes to procure renewable energy equal to 14% of retail electricity sales in the state through an initial procurement of 7-10% by the end of 2020, and the remaining solicitation ordered by January 15, 2021.

In September 2020, the PUC selected projects for the first round of procurements, which resulted in 17 selected projects required to supply renewable electricity generation equal to about 9.5% of total retail electricity sales in the state. The projects selected were awarded term sheets for highly competitive prices, averaging 3.5 cents per kilowatt-hour (kWh). In addition to providing renewable electricity at competitive prices, these projects are estimated to reduce greenhouse gas emissions by approximately 500,000 tons per year and have committed to provide economic benefits to the state such as creating hundreds of jobs, spending more than $145 million with Maine-based entities, and contributing millions of dollars to Maine's economy and local communities.[1]

[1] State of Maine Public Utilities Commission. Order Approving Term Sheets, Request for Proposals for the Sale of Energy or Renewable Energy Credits from Qualifying Renewable Resources Pertaining to Versant Energy and Central Maine Power. Docket No. 2020-00033. September 23, 2020.

In January 2021 the PUC issued a proposal for qualifying renewable generation resources for sale of energy or renewable energy credits (RECs) for the remaining 654,775 MWh or about 4.5% of total retail electricity sales in the state. The PUC held a Bidders' Information Session in February 2021 and the proposals were due March 18, 2021. The estimated schedule from the PUC indicates that staff will review these proposals in April-May, identify short-list proposals in early June, negotiate term sheets with the short list in June-July, Commission approval of term sheets and mid-to-late July, and complete and execute contracts in August-September.

The results of the second solicitation of the first procurement tranche will provide helpful information related to the current and potential market dynamics. Further, the term sheets for the remaining portion of this procurement round will provide valuable information related to the selected projects such as the technology, size, location, cost, economic benefits, etc., which may be helpful information to inform future procurement approaches.

RPS Study

The RPS Study sponsored by the GEO and required by statute, *State of Maine Renewable Energy Goals Market Assessment*, has presented key findings and lessons learned for the State to consider in designing future procurements and meeting the 2030 80% RPS.[2]

First, it is important to note that the study found that while the State is on track to meet its RPS until 2026 – the exact date is an estimate based on a number of modeling assumptions - new resources will be needed to continue to meet the State's RPS. Given the challenges of renewable energy development, there is need for action prior to 2026 to ensure enough generation is online at that time. While the GEO is supportive of additional action to ensure the State can meet its future needs, there are also a number of considerations that need to be determined prior to moving forward with additional procurements.

As was identified and emphasized in the RPS Study, transmission is going to be a key component of future renewable development. This study references a previous report completed by a transmission stakeholder group coordinated by the GEO, which found that key transmission pathways in Maine are severely congested and constrained.[3] The RPS Study recommends, as one potential option, that "a State-sponsored anticipatory transmission planning process could help address this issue by identifying the transmission needed to meet the RPS in advance of renewable develop." There may also be shared benefits and opportunities related to regional coordination of transmission development, including reduced costs for Maine ratepayers. Regardless of the particular pathway to address the transmission related challenges, procurements for renewable generation will need to consider how they coordinate with transmission planning and development that will be needed for these projects to be able to become operational.

The study also found that a diverse portfolio of resources to meet the RPS can help to lower risk for ratepayers and the state. This is a key consideration as the State procures additional resources, to think about a mix of technologies that will balance risks, benefits, costs, and other impacts. Further, as the renewable energy market continues to mature, there are various approaches to procurement that may be considered to maximize benefits to ratepayers. Additionally, while Maine's electric load is forecasted

[2] Governor's Energy Office. *State of Maine Renewable Energy Goals Market Assessment.* March 2021. https://www.maine.gov/energy/sites/maine.gov.energy/files/inline-https://www.maine.gov/energy/studies-reports-working-groups/completed-reports

[3] Final Stakeholder Report Pursuant to Public Law 2019, Chapter 57: Resolve, To Study Transmission Solutions To Enable Renewable Energy Investment in the State. January 2020. https://www.maine.gov/energy/studies-reports-working-groups/completed-reports

to grow as the transportation and heating sectors are electrified, it is also worth being mindful of how much Maine is contracting for as a percentage of our load.

The GEO recommends taking steps to consider these various aspects while also balancing the need for additional renewable energy generation in the future in order to continue to meet the clean energy and climate goals of the State. The GEO is supportive of the concept of additional procurements and would like to work with the sponsor and stakeholders on potential refinement of this proposal.

Thank you for your consideration and I welcome any questions.

Melissa Winne
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