Petition of Commission Technical Staff For Green Product Pricing	*	BEFORE THE PUBLIC SERVICE COMMISSION OF MARYLAND
	*	Case No. 9757

STAFF PROPOSAL FOR THE MAXIMUM ALLOWABLE GREEN PRODUCT PRICING

Background

On November 21, 2024, the Commission filed a request for parties to submit, by December 6, 2024, proposals on maximum green product pricing for each choice service territory, along with the most recent 12-month SOS Rate.

The Public Utilities Article ("PUA") §7–707(a) defines "green power" as energy sources or renewable energy credits that are marketed as clean, green, eco–friendly, environmentally friendly or responsible, carbon–free, renewable, 100% renewable, 100% wind, 100% hydro, 100% solar, 100% emission–free, or similar claims. Further, PUA §7–707(c) explains that a supplier marketing to residential customers may not market electricity as green power unless the percentage of the green power being offered exceeds the greater of 51%, or 1% higher than the current renewable energy portfolio standard ("RPS") for the year the electricity is provided to the customer.

PUA §7-707(d)(2) requires that the Commission hold a proceeding each year to set a price per megawatt-hour for electricity marketed as green power. This price may not be exceeded by an electricity supplier unless a supplier requests that Commission hold a proceeding for that supplier's green product pursuant to PUA §7-707(d)(3).

Recommendation

Staff recommends that the Commission set a maximum green product price that includes the most recent 12-month average SOS rate of the customer's respective utility service territory, along with the average Tier 2 Renewable Energy Credit ("REC") price in the previous year's RPS annual reports as a baseline. Staff's proposed methodology limits a supplier's ability to make an unreasonable profit that would result if the pricing model used Tier 1 prices as a baseline. Under the Tier 1 baseline scenario a supplier could game the system by purchasing the least expensive RECs (Tier 2) and turning around and selling a green product based on the higher Tier 1 prices. Remedies are available for suppliers that wish to use more expensive Tier 1 RECs or have other cost drivers that would cause their prices to be higher pursuant to PUA §7-707(d)(3).

The green product price for the respective service territory will be calculated by taking the difference between the current year's RPS requirements and the green power percentage that is being offered in the subject product. For example, if the green product is comprised of 51% green power, then this will be subtracted from that year's RPS requirements. For 2025 the total RPS requirement is 38%.[1] The resulting percentage would be 51% - 38% = 13%. This 13% will be known as the Green Power Premium Factor ("GPPF"). Under this model, suppliers will be rewarded for offering a greener product by being able to achieve a higher GPPF.

The GPPF is then multiplied by the average of the previous year's Tier 2 REC price which produces the Green Product Premium ("GPP") that the supplier will be permitted to add on to the most recent 12-month average SOS rate in the customer's respective service territory. In this example the 2023 Calendar Year Tier 2 REC price of $0.01050 is used. Accordingly, the calculation would be as follows: $0.01050 x 0.13 (13% GPPF) = $0.00137 GPP. This method

[1] PUA §7-703(b)(20).

should limit the ability for a supplier to game the system by marketing a green product that corresponds to the percentage of green power offered in the product while purchasing the least expensive RECs, i.e. Tier 2 RECs. Table 1 shows this calculation with a 51% green power product, which is the minimum requirement for a green product pursuant to PUA §7–707(c).

Table 1

2025 Tier 1 Requirement	35.5%
2025 Tier 2 Requirement	2.5%
Total 2025 RPS Requirement (Tier 1 + Tier 2)	38.0%
Green Power % Offered	51.0%
Green Power Premium Factor (51 – 38)	13.0%
CY 2023 Tier 2 REC price per kWh	$ 0.01050
Green Product Premium per kWh (0.01050 x 0.13)	$ 0.00137

Table 2 displays the allowable Green Product Premium per kWh that corresponds to the amount of green power being offered in the product.

Table 2

Green Power %	Green Product Premium per kWh
51%	$ 0.00137
52%	$ 0.00147
53%	$ 0.00158
54%	$ 0.00168
55%	$ 0.00179
56%	$ 0.00189
57%	$ 0.00200

58%	$ 0.00210
59%	$ 0.00221
60%	$ 0.00231
61%	$ 0.00242
62%	$ 0.00252
63%	$ 0.00263
64%	$ 0.00273
65%	$ 0.00284
66%	$ 0.00294
67%	$ 0.00305
68%	$ 0.00315
69%	$ 0.00326
70%	$ 0.00336
71%	$ 0.00347
72%	$ 0.00357
73%	$ 0.00368
74%	$ 0.00378
75%	$ 0.00389
76%	$ 0.00399
77%	$ 0.00410
78%	$ 0.00420
79%	$ 0.00431
80%	$ 0.00441

81%	$	0.00452
82%	$	0.00462
83%	$	0.00473
84%	$	0.00483
85%	$	0.00494
86%	$	0.00504
87%	$	0.00515
88%	$	0.00525
89%	$	0.00536
90%	$	0.00546
91%	$	0.00557
92%	$	0.00567
93%	$	0.00578
94%	$	0.00588
95%	$	0.00599
96%	$	0.00609
97%	$	0.00620
98%	$	0.00630
99%	$	0.00641
100%	$	0.00651

Under this proposed model, the maximum green premium would be $0.00651 per kWh. This would only apply if the green product being offered is comprised of 100% green power.

The most recent 12-month SOS utility rates were taken from the PC 64 docket, Residential 12-Month Trailing Retail Supply Price Caps, and are as follows:[2]

Utility	**Standard Offer Service Rate ($/kWh)**
Baltimore Gas & Electric Company	$0.11389
Potomac Electric Power Company	$0.113408
Delmarva Power & Light Company	$0.1152907
Southern Maryland Electric Cooperative	$0.086785
Potomac Edison Company	$0.09620

Conclusion

Staff respectfully requests that the Commission adopt Staff's recommendation for a green product price as calculated in Table 1 and displayed in Table 2. For 2025, the minimum GPP that a supplier would be permitted to add on to the customer's SOS rates would be $0.00137 per kWh, while the maximum GPP would be $0.00651 per kWh. The variance in price is entirely dependent on the quality of the green product offered by the supplier.

Respectfully Submitted,

Harrison J. Scherr

Harrison J. Scherr
Assistant Staff Counsel
6 St. Paul Street
Baltimore, MD 21202
(410) 767-4026
harrison.scherr2@maryland.gov

[2] As of December 5, 2024.