

November 27, 2012

Dear Maryland Solar Industry Partners:

The Maryland solar industry continues its rapid expansion. From just a few kilowatts in 2007, Maryland now has over 75 MW of solar installed capacity. Breaking the 100 MW mark before the end of the year is a real possibility! Part of this success comes from the utility-scale Mount St. Mary's (MSM) solar project that recently came on line in Emmitsburg. This letter is to explain the State's approach to managing the SRECs related to this important project.

In 2008, the State of Maryland, through the Department of General Services (DGS) and the University System of Maryland (USM), entered into a contract to purchase the energy and SRECs from 17.4 MW (DC) solar PV plant at MSM. DGS is responsible for 2/3rds, or 10.67 MW, of electricity and corresponding SRECs; USM is responsible for 1/3, or 5.33 MW, of electricity and corresponding SRECs. As of November, 2012, GATS had over 75 MW of solar PV registered for the State of Maryland; adding 17.4MW of solar PV from one project has caused some degree of understandable concern about the SREC market among the state's solar industry.

The State of Maryland is taking action to manage the SRECs in a way that protects our investment in the SREC market. However, as DGS and USM have different drivers that will affect the management of the SRECs for which they are responsible, each entity has developed its own SREC management plan, each of which is outlined below.

The DGS SRECs Management Plan

DGS will act as an SREC "provider of last resort" whereby the State will sell excess SRECs (i.e. those above the RPS obligation of DGS load) only if the SREC market needs them. MEA has recommended that DGS enact a threshold price, e.g. at 90% of ACP, for sale offers of any excess SRECs.

The USM SRECs Management Plan

USM is committed to using the SRECs to meet its RPS requirements, and could potentially use any surplus to meet future RPS requirements, voluntary carbon reductions, and/or potential future utility budget shortfalls. USM is cognizant of the fact that MSM's SRECs represent a significant share of the market in 2013 and 2014, when the market is most vulnerable to potential oversupply. USM does not currently intend to sell the excess SRECs in the 2013 or 2014.

Although there are different approaches to the management of these SRECs by the State entities that hold them, it is the intent of the State of Maryland to avoid oversupply and maintain a stable SREC market.

Respectfully,

  
Abigail Ross Hopper  
Acting Director

cc: Secretary Al Collins, Maryland Department of General Services  
Joan Kowal, University of Maryland