



Committee: Economic Matters

Testimony on: HB1214 “Residential Retail Electricity – Green Power – Renewable Energy Credits and Marketing Claims”

Position: Support

Hearing Date: February 23, 2023

The Chesapeake Chapter of Physicians for Social Responsibility (CPSR) submits this testimony in support of HB1214, which requires that energy programs marketed to residential customers shall purchase renewable energy credits (RECs) corresponding to the energy amount the customer receives from specified clean renewable generation sources within or connected to the PJM grid, and that specific language notifying the customer that they are purchasing standard electricity with the addition of those RECs, rather than actual electricity produced by those sources.

We find this proposal to be an important step in consumer protection – marketing of “green power” that is effectively only the same power provided under utility Standard Offer Service (SOS) with often substantial additional charges for “greenness” (actually, the purchase of RECs, not electrons) is increasingly pervasive. For 3rd party electricity suppliers, these RECs can be bought anywhere on the open market – they do not count against the requirements of Maryland’s Renewable Portfolio Standard (RPS) and are not subject to the same restrictions. On the open market, “Voluntary” RECs (those not meeting compliance for a state’s RPS) like those purchased by 3rd party suppliers can be extremely cheap - for example, at one time Texas wind RECs were valued at about \$1.00 per megawatt-hour. These are “unbundled RECs” – they are sold separately from the actual electricity generated, which is generally sold locally because transmission cost rises the further electrons must travel – and they create additional income for the generating source owner. While the RECs may be cheap, the rates charged to residential customers for this “green” electricity are generally well above utility SOS rates – even though an average household uses about 1 megawatt-hour of electricity per month (the equivalent of one REC’s worth).

Consumer protection requires that this misrepresentation of electricity sold as “green” needs to be corrected, as HB1214 will do. This misrepresentation also has substantial implications for Maryland’s achievement of its ambitious targets for real clean renewable energy: the fact that this misrepresented “green” electricity can absorb a substantial part of the demand from the many consumers who would otherwise be willing to sign up for real clean energy, like community solar (which is produced in-state and priced below SOS), will make the financing, marketing, and development of such real clean renewable energy more difficult.

I can also offer a personal perspective to complement these policy-level considerations. In 2012, as a health professional still working full time, I was offered “100 clean energy from wind” by a company named “Ethical Electric.” With no understanding of the electricity sector – certainly not the existence of RECs – I signed up and began paying a substantial premium for electricity. Since I was, like many in Maryland, aware of the dangers of climate change and the need to move to clean power, I felt that this premium was one contribution to that clean energy transition. Around the time I retired in 2014, Ethical Electric was bought by another electricity supplier; my account was simply switched over, I

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continued getting reminders about how my electricity was 100% clean, and continued to pay what I thought was a premium to get clean electricity. In fact, my utility bills were on auto-pay, and I rarely paid attention to them, assuming that I was supporting clean energy and fighting climate change.

In 2015 I began working on energy aspects of climate change, initially focused on reducing health-harming pollution from coal-fired power plants and the development of Community Solar. But I still knew nothing about unbundled RECs or non-utility suppliers in the context of Maryland's deregulated energy sector. I began to understand about RECs when I started working to support the Clean Energy Jobs Act; but it was only when I was signing up for Community Solar and the person at the Subscriber Organization asked "Why are you paying so much for electricity?" that I became aware that I'd been put on a "variable rate plan" and was paying at least 50 percent above SOS rates. I renegotiated the rate with the supplier (having to do it each year to avoid going back on a variable rate), but stayed with the "green energy," thinking it was cleaner than SOS. In the end, however, I figured out that I was essentially buying the SOS generation source mix and paying a lot extra for RECs, and so reverted to SOS for the power I don't get from Community Solar.

The point of the story is either that I'm dumb or that, even with a lot of exposure to clean and renewable energy issues, for a long time it wasn't clear to me that I wasn't buying cleaner energy and fighting climate change. The experience gives me insight into how little most folks know about the sources of their electricity, what they're paying and what they're paying for on their bill, what a REC even is, and why it's not the same as buying electricity from a clean renewable source.

This experience makes the need for HB1214 powerfully clear to me. This bill will do two important things: it will ensure that the RECs bought by "green" suppliers are actually from specific clean renewable sources – wind, solar, geothermal, ocean, and small hydropower – generated within or connected to our PJM grid; and, it will require those suppliers to advise customers that they're getting electricity from their local utility's standard generation source mix along with RECs, rather than from a different cleaner generation source. (The language could be stronger, since most people are unlikely to understand what a "renewable energy credit" is or isn't; but it should at least raise the question with customers, if the product is marketed appropriately).

For these policy and experiential reasons, we support HB1214 and strongly urge a favorable rereport on HB1214 by the Committee.

Respectfully,

Alfred Bartlett, M.D., F.A.A.P.
Board Member and Energy Policy Lead
Chesapeake Physicians for Social Responsibility
alfredbartlett@msn.com
240-383-9109

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