

# PUBLICATION

---

## Maryland Lawmakers Weigh Sweeping Solar Expansion with the Affordable Solar Act

Authors: Lisa N. Blitstein, Stephen E. Luttrell

March 06, 2026

**The Maryland legislature will continue its focus on renewable energy development this session, following recent landmark legislation creating a permanent community solar program and setting certain "net-zero" emission targets, among other initiatives.**

The Affordable Solar Act (HB 345/SB 341), proposed to take effect on October 1, 2026, represents Maryland's most comprehensive effort to expand solar energy capacity, address energy affordability for ratepayers, and advance climate goals. The legislation aims to increase solar generating capacity in the state by 4,000 megawatts above capacity in operation as of January 1, 2028, consisting of 2,000 megawatts from smaller-scale "distributed solar" and 2,000 megawatts from larger "utility-scale" projects. This bill picks up where the Brighter Tomorrow Act will leave off after it phases out in 2027 and addresses a fundamental problem in Maryland's Renewable Portfolio Standard (RPS).

This analysis of the Affordable Solar Act is most relevant to zero-emission energy asset developers and owners, including solar project developers due to its potential to reshape the solar market and development pipeline in the coming years. It is less applicable to traditional energy developers and owners, unless they are subject to RPS requirements.

## Addressing Gaps in Maryland's Renewable Portfolio Standard and Alternative Compliance Payment Funding

Since 2004, utility companies and electricity suppliers that fail to meet their RPS obligations have been required to pay alternative compliance payments (ACPs) into the Strategic Energy Investment Fund, which reached an all-time high of \$362.3 million in compliance year 2024. However, these funds were diverted to balance the general fund rather than used exclusively for clean energy development.

A key principle underlying this legislation is that the money collected from utility companies for a specific purpose, such as clean energy, should be used only for that purpose. The bill also recognizes that utility compliance costs are ultimately passed through to consumers, and redirecting ACP funds away from clean energy development effectively places the burden of balancing the state budget on ratepayers who are already struggling to pay their bills.

## Two New Public Service Commission-Administered Solar Programs

The bill proposes to establish two programs administered by the Public Service Commission (PSC): the Utility-Scale SREC-II Program and the Distributed Solar Facilities Incentive Program. These programs operate through distinct but complementary procurement mechanisms.

Under the Utility-Scale SREC-II Program, if passed, the PSC must establish a competitive solicitation process for the development of at least 2,000 megawatts of solar generation capacity before 2035, with solicitations beginning January 1, 2027, and recurring every 18 months thereafter. Applicants must submit proposed SREC-II pricing schedules that specify fixed rates and environmental attribute prices, and the PSC then ranks all applications by estimated cost and selects projects accordingly. Contracts must be awarded for at least 205 megawatts per year, starting in 2027 and continuing for eight more years.

The Distributed Solar Facilities Incentive Program proposes to accept applications on a first-come, first-served basis within established capacity blocks. A "capacity block" is the maximum generating capacity that the PSC determines may be allotted to a specific market segment, such as behind-the-meter residential, behind-the-meter nonresidential, or community solar, for any given incentive year. The Distributed Solar Facilities Incentive Program and the Utility-Scale SREC-II Program seek to employ "administratively determined incentives" for renewable energy credits (RECs), allowing the PSC to adjust REC values over time based on market conditions, such as the cost to construct and finance solar systems, federal policies and programs, and societal costs and benefits, with the goal of ensuring that energy project developers receive what they need to construct projects. To determine the administratively determined incentive rates for each market segment, the PSC would be required, by October 1, 2027, and every three years thereafter, to establish both the incentive value and annual capacity blocks. The incentive rate for qualifying distributed systems is fixed for 15 years at the amount established for the applicable capacity block when the system applied.

## **Balancing Market Development with Ratepayer Cost Protections**

Critically, for the Distributed Solar Facilities Incentive Program, the bill states that the PSC must balance continued market development while limiting the net residential ratepayer cost to no more than five percent of the average annual electric bill. The PSC may adjust incentives within six months of missing a capacity block and with 90 days' public notice, if necessary, to address changes in the law or policy. This approach, which mirrors programs in New Jersey, Delaware, and Illinois, balances ratepayer costs with competitively priced incentives. Crucially, the PSC has conducted analyses showing that administratively determined incentives combined with competitive procurement can result in significantly more solar development without additional costs to ratepayers.

Concurrently, the bill also restructures how ACP funds would be managed, as ACP funds accruing would flow into a dedicated escrow account established by the PSC. Disbursements would be determined annually by the PSC and an escrow account administrator to provide each electric company with the number of SRECs and SREC-IIs required to satisfy the company's obligations based on its retail electricity sales. With these disbursements, the PSC must require electric companies to procure the total number of SRECs and SREC-IIs generated during that compliance year in accordance with a schedule. Additionally, the bill seeks to remediate wage protections from the Brighter Tomorrow Act by requiring prevailing wage rates and enabling the Department of Labor to enforce compliance, ensuring livable wages for electricians and other workers constructing these systems.

The Affordable Solar Act also introduces authorization for portable photovoltaic devices that connect to a building's electrical system through a standard outlet, are capped at 1,200 watts, and meet safety certifications from Underwriters Laboratories or equivalent testing laboratories. These small systems, known as "balcony solar," are designed for one or two panels and are sufficient to power appliances such as a refrigerator. Balcony solar systems are exempt from net metering requirements and interconnection agreements and do not feed significant excess energy back onto the grid.

## Industry Response and Ongoing Policy Debate

Some opposition has emerged from the rooftop solar industry, citing concerns that the procurement process may slow development without addressing underlying RPS issues and that development is already occurring in areas without the ability to transmit excess energy back onto the grid. Supporters argue, however, that this legislation is essential for stabilizing the solar industry, ensuring utility RPS payments are used for their intended clean energy purposes, and meeting the state's climate goals. Further, proponents point to the procurement process, which accounts for grid capacity by requiring interconnection studies through PJM to determine whether infrastructure can handle additional capacity or requires upgrades, as well as recently passed storage expansion laws that allow excess energy to be stored, enabling continued solar development in areas that would otherwise exceed grid capacity.

If you have questions about the Affordable Solar Act or would like to discuss how the proposed legislation may affect solar projects, please reach out to [Lisa N. Blitstein](#) and [Stephen E. Luttrell](#).