

HB 505 Utility Transparency and Accountability Act

This bill will increase transparency and accountability for utility companies in Maryland and ensure that ratepayer funds are not used for lobbying expenses. This bill:

- ✓ **Strengthens existing state law that bans utility companies from charging customers for lobbying via our monthly utility bills** by banning utilities from also using ratepayer dollars for trade association dues, advertising, board member expenses, and gifts. It also requires utility companies to submit an annual report outlining all expenses related to these activities.
- ✓ **Requires all utilities to be part of a regional transmission organization (RTO).** Utilities currently receive additional funds from rate-payers on each transmission project as an incentive to join an RTO. If they are required to join, ratepayers will no longer be saddled with paying these additional costs for joining.
- ✓ **Require a public record of all PJM votes cast by public utility companies.** This information is currently private, so the public has no way of knowing what their state-regulated, public utility companies are advocating for or against at PJM.

Frequently Asked Questions

What is PJM and how does it affect Maryland energy issues?

Maryland is one of 13 states and the District of Columbia served by the Regional Transmission Organization (RTO) [known as PJM](#). PJM is the largest RTO in the US and serves 65 million people. All of Maryland's electricity flows through PJM's regional transmission grid. PJM manages our grid, ensures grid reliability, maintains the transmission system, and prepares the grid for new energy sources. PJM is comprised of 1,090 member organizations including electricity generators, transmission owners, and utility companies.

Overall, having an independent regional entity overseeing the grid provides efficiencies that benefit Maryland consumers. However, decisions made at PJM can significantly impact our utility rates and determine how quickly progress is made in meeting our climate goals. PJM's authority over our grid and electricity transmission system is complicated by its opaque decision-making process that lacks an accountability structure for those who make the decisions.

PJM's past decisions have kept fossil fuel generators running longer, slowed down the transition to renewables, and unnecessarily increased costs for our ratepayers.

How will these changes affect ratepayers in Maryland?

The Federal Energy Regulatory Commission (FERC) gives electric utilities an extra profit—through an “adder” to its return on equity (ROE) for transmission rates—to voluntarily become a member of a Commission-approved regional transmission organization (like PJM). FERC has said the profit adder recognizes “the benefits that flow from membership in such organizations and the fact [that] continuing membership is generally voluntary.” But where RTO membership is required by state law and the utility

cannot unilaterally withdraw its membership, FERC has ruled that a utility is not entitled to the profit adder.

California, for example, passed a law in 2022 requiring its utilities to be part of an RTO (the CA Independent System Operator), thereby triggering a recent FERC order removing the ROE adder for Pacific Gas & Electric and saving California ratepayers an estimated \$40 million annually.

Over time, the savings to Maryland ratepayers from similarly mandating RTO membership for Maryland electric utilities, and thus eliminating the need for the ROE adder, would amount to tens of millions of dollars. If returns on equity for projected 2025 transmission rates of all four of Maryland's investor-owned utilities were reduced by the amount of the adder, the savings would be nearly \$20 million.

In addition, ratepayers will be assured that they are not paying for lobbying or influencing legislation.

What are the PJM committees and what information is currently available about PJM voting results?

There are four ongoing lower-level standing committees: [Operating Committee](#), [Planning Committee](#), [Risk Management Committee](#), and [Market Implementation Committee](#). It is difficult to fully account for all of PJM's lower-level committees, however, since some are subcommittees or exist temporarily for specific processes. None of the individual voting data at the lower committee levels is public; the only information publicly available is the overall percentages of votes each proposal received.

There are two upper-level committees that vote on the proposals presented by the lower committees: [Markets and Reliability Committee](#) and [Members Committee](#). These upper-level committees are slightly more transparent. The Markets and Reliability Committee reports votes by sector, but not the votes of individual firms. Only the Members Committee reports individual firm votes in addition to sector-weighted votes.

What types of issues go through the lower-level committees?

The lower-level committees are responsible for designing the proposals that advance to the upper-level committees. Recent issues have included developing [a clean energy-only market](#) (considered by the [Clean Attribute Procurement Senior Task Force](#)), and [a new methodology for dispatching renewables](#) (recently finalized by the Operating Committee).

Recently, the Market Implementation Committee, which is responsible for developing proposals related to competitive wholesale market prices, designed the proposal for the most recent Minimum Offer Price Rule (MOPR). If enacted, this rule [would have artificially priced renewables out](#) of the capacity market.

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