

Thursday, February 6th, 2025

TO: C. T. Wilson, Chair of the House Economic Matters Committee, and Committee Members

FROM: Mariana Rosales, The Nature Conservancy, Director of Climate; Cait Kerr, The Nature Conservancy, State Policy Manager.

POSITION: Support HB 398 Abundant Affordable Clean Energy - Procurement and Development (AACE Act of 2025)

The Nature Conservancy (TNC) supports HB 398 offered by Delegate Charkoudian. HB 398 provides a path forward to address resource adequacy in the State to meet current and future electric load requirements in Maryland and alleviate the burden on ratepayers. AACE brings on new energy projects that will serve Maryland's load requirements within this decade on a least-cost basis, while allowing flexibility to respond to potential shifts in future energy markets through rapid, low-cost, and flexible solutions.

Following decades of relatively stable electricity costs, Maryland now faces significant increases in costs to ratepayers. Similarly, after a history of flat, or even declining, electricity consumption dating back to the 2010s, demand is now on the rise. This mismatch in supply and demand is occurring not only in Maryland, but the larger PJM wholesale market. The PJM interconnection queue backlog has resulted in hundreds of gigawatts of planned projects with the potential to lessen the supply and demand imbalance sitting in limbo rather than being able to service Maryland's electric load requirements.

AACE proposes a combination of rapidity, low-cost, and flexibility to create a pathway to achieving resource adequacy to meet current and future electric load requirements. The bill directs the Maryland Public Service Commission (PSC) to create a competitive procurement process in 2026 and 2027 for up to 1,600 MW of total battery storage projects and provides a pathway for these projects to be operational in this decade. It also establishes a pathway for 150 MW of distributed storage projects, not subject to the PJM interconnection queue, to be constructed by electric companies, which will provide substantial benefits to residential and other local electric demand.

AACE creates a methodology to refresh and "right size" incentives for new renewable energy projects in the state; while Maryland's historic REC and SREC incentives have been a powerful tool to jumpstart renewable generation in the state, the "one-size-fits-all" approach often results in incentives that are mismatched to the needs of specific projects. AACE's SREC-II and REC-II allow for a better fit, ensuring individual projects can receive the incentives they need to come online, while also preventing unneeded incentives from being passed through to ratepayers. AACE further provides several additional pathways to ensure that Maryland ratepayers are protected from rising electric utility bills. HB 398 also ensures that existing clean generation in the state remains online, by providing a pathway to ensure that the Calvert Cliffs nuclear facility is able to meet its 2034 and 2036 relicensing obligations. Lastly, AACE directs the PSC's transmission study related to offshore wind to prioritize transmission pathways from those projects which will directly serve Maryland's electric load requirements.

The AACE Act provisions allow for project flexibility and focused incentives to spur energy development, ensuring projects that will directly benefit the State's energy requirements, as well as ratepayers and workers. AACE's pathway to energy development is in line with the State's carbon reduction goals, allows for the flexibility to respond to future energy demands, and provides solutions to resource adequacy in this decade.

We urgently need more energy, but we also need that energy to be clean. Clean energy can be produced cheaper and safer than non-renewable energy generation methods. Energy storage can be built faster to address our supply

and demand challenges within a shorter time frame. [In the last decade, solar photovoltaic costs have fallen by 90%, batteries' cost decreased by 90%, and onshore wind by 70%.](#) For the sake of our wallets, our future, our health, and future generations' well-being, the path to affordable and reliable energy, the energy we need, must also be clean. TNC thanks Delegate Charkoudian for introducing this bill, which would secure our resource adequacy through clean energy solutions within the coming decade.

Therefore, we urge a favorable report on HB 398.