



THE MARYLAND HOUSE OF DELEGATES

ANNAPOLIS, MARYLAND 21401

HB 398- ABUNDANT AFFORDABLE CLEAN ENERGY - PROCUREMENT AND DEVELOPMENT (AACE ACT)

TESTIMONY OF DELEGATE LORIG CHARKOUDIAN
FEBRUARY 6, 2025

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee,

The AACE Act provides a pathway for Maryland to meet the state's energy demand in a flexible, rapid, and cost-effective manner. AACE creates a "no regrets" approach to meeting the challenges of both rising electric costs and capacity concerns which have been created by both price fluctuations in the PJM wholesale market as well as bottlenecks in the PJM interconnection queue which have stymied new utility-scale generation projects in the State. Broadly, AACE achieves this by addressing 5 specific areas:

1. Ratepayer Protections

Maryland is facing rising energy costs, with projected increases in electric rates this summer. AACE addresses ratepayer burden through two primary pathways – competitive procurements and administratively determined incentives (ADI) (discussed in battery storage and the solar/RPS sections) to ensure new projects are least-cost for ratepayers, and directing certain funds which reflect ratepayer costs to be returned to ratepayers. AACE returns funds to ratepayers by:

- Creating an escrow account supervised by the Maryland Energy Administration, which directs funds deposited in it (subject to Public Service Commission (PSC) oversight to ensure security and transparency) back to ratepayers as either direct payments or credits on energy bills. Funding for the escrow account will come from:
- ACP funds, formerly going to Strategic Energy Investment Fund, and returns exceeding set procurement pricing for new SREC-II and REC-II
- 75% of total franchise, sale, and use taxes from qualifying data centers

2. Battery Storage

Battery storage allows for a flexible approach to increasing available electricity on the grid, alleviating both increased electric cost during peak demand, and reducing the need for new costly "Peaker" generators. The flexibility provided by battery storage lays out a no-regrets pathway to an affordable energy future for Maryland, as it is beneficial (for cost and emissions reductions) regardless of what source of new generation the state elects to adopt. Battery storage also has the benefits of being [eligible to bid into PJM's capacity market](#)¹, as well as being the most rapidly developable type of "generation" project, allowing Maryland energy burden to be addressed *within this decade*. AACE drives new in-state battery storage through the following mechanisms:

- Fast tracking 1,600 MW of utility scale battery storage set to clear the PJM interconnection queue across two 800 MW procurement phases (2026, and 2027) with the new storage to be sited in Maryland and to be operational *in this decade*.
- The PSC is directed to initiate a *competitive* procurement of these projects, ensuring that they are subject to cost-benefit analysis to ensure lowest cost to ratepayers for new facilities.
- 150 MW of distribution storage to be constructed, and responsibility for the share of the 150MW to be constructed apportioned across the electric companies – applications for distributed generation projects are also subject to cost-benefit analysis prior to approval by the PSC.
- New construction for utility-scale and distribution-scale projects has important labor requirements, including wage and benefit guarantees, and the requirement of a community benefit agreement for utility-scale projects.

3. Solar, Land-based Wind, Hydro, and the Renewable Energy Portfolio Standard (RPS)

Maryland's RPS sets a target of 50% of in-state electricity *sales* (not generation) to be met by renewable energy resources by 2030, which can result in a mismatch of incentives flowing to out-of-state generation projects not directly serving Maryland load. AACE provides a pathway for linking in-state electric consumption with in-state electric generation, ensuring funding for Maryland generation projects and “right-sizing” pricing support to bring individual new renewable generation projects online, rather than taking a “one-size fits all” approach as exists in the current renewable energy credit (REC) market. This plan has the following features:

- Creating a new class of RECs - SREC-IIs for new utility-scale solar and distributed solar, and REC-IIs for new onshore wind and small-scale hydro projects.
- Sets a target for 3000 MW of new utility scale solar projects subject to SREC-IIs by 2035.
- Utility-scale projects will be issued a guaranteed fixed price by the PSC, subject to competitive procurement bids including cost-benefit analysis, and other criteria such as brownfield siting, to minimize cost to ratepayers, and are required to serve Maryland load, and include labor protections and community benefit agreements.
- SREC-IIs and REC-IIs are generated for utility-scale solar, and land-based wind and small hydro projects that operate as a means to make up the difference between the fixed price issued by the PSC and market price sales for electricity to ensure project viability.
- New non-utility scale solar projects will be subject to an ADI within a given capacity block. ADI is set every 3 years by the PSC to ensure development, with market caps to protect ratepayers, and is fixed for 15 years. Additionally, an ADI is the monetary value of an SREC-II generated by a distributed solar system to ensure project viability.
- The “capacity block” is designed to promote growth across a variety of market sectors and are apportioned for SREC-IIs on a first-come, first-served basis.
- SREC-IIs and REC-IIs are not payable until electricity is supplied, are not backwards looking in time, and require recoupment to ratepayers should the market rate of electric sales exceed the fixed price for the project.
- The existing RPS remains in place, however, in-state generation is prioritized, with electric sellers first being required to purchase RECS from in-state resources in the form of ORECS, SERC-IIs, REC-IIs, then legacy SRECS, and then finally from the existing PJM REC market.

4. Nuclear

Currently, Maryland sources approximately 40% of its in-state generation from the Calvert Cliffs nuclear facility. Although not a renewable source of generation, this nuclear generation does not result in the

emissions of GHGs and is accordingly critical for Maryland's clean energy goals and maintaining resource adequacy to avoid grid failures. AACE creates a backstop of last resort to ensure the facility remains operational and relicenses in 2034 and 2036 by:

- Creating zero emission energy credits (ZEC) to support the facility if, *and, and only if*, existing federal tax credits for the facility are no longer available to the facility, AND means testing demonstrates the facility requires a ZEC to remain economically viable.
- ZECs are a financial incentive and *are not* eligible to participate in the RPS.

5. Offshore Wind

Maryland has significant offshore wind (OSW) development goals under the POWER Act. AACE makes amendments to the law focusing on transmission, evaluating transmission pathways to ensure that necessary transmission build out is completed rapidly, serves Maryland's energy needs, and is cost-effective.

I respectfully request a favorable report on HB 398.

¹ <https://insidelines.pjm.com/energy-storage-in-pjm-a-perspective/>

The Abundant, Affordable, Clean Energy Act (AACE)

What This Bill Does



Abundant Energy

- Generate more energy in Maryland and increase the storage capacity of Maryland's electric distribution and transmission systems, which will benefit customers and enhance reliability.



Affordable Energy

- Protect ratepayers from increasing energy prices, make procurement of clean energy more competitive and efficient, and improve Maryland's supplier diversity and energy independence.



Clean Energy

- Bring more clean energy from solar and wind projects online in Maryland, improving our grid's capacity and reliability.

Why This Bill Matters

New industries like **Artificial Intelligence (AI)**, **data centers**, **crypto mining**, and **cannabis cultivation** will increase our energy demand and strain existing infrastructure much more than beneficial electrification to cars and buildings.

Without action, our grid capacity may not be able to meet these increasing demands, let alone do so while keeping electricity rates affordable and achieving our renewable energy target of 50% by 2030. According to the U.S. Energy Information Administration, clean energy supplied just 12% of Maryland's total in-state electricity in 2022.

With the AACE Act, we have the opportunity to meet rising demand for electricity with clean energy technologies, protect and create family supporting local jobs, build health and wealth across the state, and incorporate labor standards into all projects.

The AACE Act will better position Maryland to meet the climate crisis by creating a framework for the quicker adoption of clean energies, ensuring affordability and reliability in our energy system.

The Abundant, Affordable, Clean Energy Act (AACE)

Maryland Energy Landscape

Maryland is part of an electricity grid shared by 13 states and the District of Columbia, managed by an organization called PJM Interconnection (PJM), which is supposed to ensure sufficient and affordable energy. In high demand periods when PJM is worried the grid does not have the capacity to generate enough electricity, it increases the price of electricity or **capacity prices**.

PJM has managed new electricity generation ineffectively, doing a **worse job than any other grid in the nation** at bringing wind and solar onto the grid. PJM's backlog of clean energy projects that are proposed and waiting to connect to the grid is so long that since 2020 it has stopped allowing new projects to even enter the queue.

The way PJM has constructed its market rules, along with its inability to timely deploy new clean electricity generation, **caused capacity market prices to increase by 800% this year, which will increase many Maryland households' average electric bills by hundreds of dollars a year, starting this June**. There are many steps Maryland can take to accelerate the growth of renewable energy and battery storage, to better serve the grid and keep rates down. The AACE Act includes some of the most vital steps, and will help lower prices by rapidly deploying more solar, wind, and batteries.

We must take a no regrets approach to this moment. The AACE Act will:

- Create a market for battery storage projects that are coming out of the PJM queue
- Change the way we finance solar projects and thereby support more solar deployment
- Direct transmission for offshore wind to address Maryland load
- Support the relicensing of Calvert Cliffs nuclear facility
- Introduce new ratepayer protections using funds from the RPS's Alternative Compliance Payments (ACPs) and state energy use & franchise tax generated from data centers

