

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1561 (Delegate Queen)
Environment and Transportation

**Electricity Generation and Storage - Investor-Owned Electric Companies and
Front-of-the-Meter Storage (Affordable Energy Act)**

This bill repeals an existing provision related to the construction, acquisition, or leasing and operating of a generating facility by an investor-owned electric company and instead specifies that, subject to the requirements of Title 7, Subtitle 2 of the Public Utilities Article (Electric Generation and Facility Planning), the Public Service Commission (PSC) may require or allow an investor-owned electric company to construct, acquire, own, or lease and operate generating facilities (and related transmission facilities). An investor-owned electric company that is required or allowed to construct, acquire, own, or lease and operate a generating facility may recover all prudently incurred costs plus a reasonable return, as specified. Under specified circumstances, PSC must (1) require one or more electric companies to develop and submit a resource adequacy plan to the commission and (2) approve, modify, or deny the plan in accordance with a specified timeline. Additionally, the bill alters the list of items that PSC must specify in selecting any proposals for front-of-the-meter transmission energy storage device projects.

Fiscal Summary

State Effect: The overall effect on State finances cannot be reliably determined at this time, but could be significant, as discussed below. Potential increase in special fund expenditures for PSC and the Office of People’s Counsel (OPC); to the extent PSC and OPC special fund expenditures increase, special fund revenues increase correspondingly from assessments imposed on public service companies. General/special expenditures for the Department of Natural Resources (DNR) may also increase. The potential effect on electricity prices is discussed in the Additional Comments section below.

Local Effect: The effect on local finances cannot be reliably determined at this time, but could be significant, as discussed below. The potential effect on electricity prices is discussed in the Additional Comments section below.

Small Business Effect: Potential meaningful. The potential effect on electricity prices is discussed in the Additional Comments section below.

Analysis

Bill Summary:

Definitions

“Large capacity energy resource” means a generating facility or an energy storage device that has a capacity rating equal to or greater than 20 megawatts after accounting for the effective load carrying capacity.

“Price stability event” means a clearing price in the PJM capacity market that has exceeded or is expected to exceed the projected net cost of new energy for a generating facility owned by an electric company.

“PJM capacity market” means the capacity market of PJM Interconnection, LLC, or any successor organization that services the PJM region.

“Resource adequacy” means the measure of whether transmission lines have sufficient capacity and reserves to reliably balance electricity supply and demand within the State.

Resource Adequacy Plans

PSC must require one or more electric companies to develop and submit a resource adequacy plan to PSC if the commission makes a determination that (1) there is insufficient resource adequacy in the State or (2) a price stability event has occurred. An electric company must submit the resource adequacy plan to PSC within 270 days after such a determination has been made. PSC must approve, modify, or deny each resource adequacy plan that is submitted within one year after making the determination.

A resource adequacy plan must include the electric company’s plans to invest in, operate, and maintain generating facilities or transmission facilities necessary to interconnect the generating facilities with the electric system in order to address the resource adequacy insufficiencies or price stability event identified by PSC. Additionally, a resource adequacy plan (1) must prioritize the development or operation of renewable energy resources and

(2) may include plans for the development of renewable energy generation and large capacity energy resources.

Investor-owned Electric Companies – Constructing, Acquiring, Owning, or Leasing and Operating Their Own Generating Facilities

Under current law, in order to meet long-term anticipated demand in the State for standard offer service and other electricity supply, PSC may require or allow an investor-owned electric company to construct, acquire, or lease and operate its own generating facilities and related necessary transmission facilities, subject to appropriate cost recovery. The bill repeals this provision and instead specifies that, subject to the requirements of Title 7, Subtitle 2 of the Public Utilities Article, PSC may require or allow an investor-owned electric company to construct, acquire, own, or lease and operate generating facilities and related necessary transmission facilities.

A PSC order requiring or allowing an investor-owned electric company to construct, acquire, own, or lease, and operate a generating facility with a nameplate capacity greater than 2 megawatts may not take effect until the company obtains a rating assessment from a premier credit rating agency finding that the terms of the commission’s order are not likely to be credit negative for the company and its affiliates. “Premier credit rating agency” means a nationally recognized statistical rating organization approved by the U.S. Securities and Exchange Commission, as specified, that ranks among the top two such organizations by market share. “Rating assessment” means a written analysis provided by a premier credit rating agency that includes (1) a review of a PSC order to require or allow an investor-owned electric company to construct, acquire, own, or lease and operate a generating facility and (2) a determination of the likely impact of the order on the creditworthiness of the company and any of its affiliates.

By October 31, 2026, PSC must propose regulations to carry out the above provisions.

Investor-owned Electric Companies – Cost Recovery and Wholesale Market Participation

An investor-owned electric company that is required or authorized to construct, acquire, own, or lease, and operate its own generating facilities may recover all of the prudently incurred and verifiable costs incurred by the company in constructing, acquiring, owning, or leasing and operating those facilities, plus a reasonable return.

Prudently incurred costs include (1) costs of acquisition, design, siting, permitting, construction, operation, maintenance, taxes, fuel, labor, cash working capital, and other carrying costs and (2) any expenses or costs of investments that become stranded for any reason. Subject to PSC approval, an investor-owned electric company may recover its prudently incurred and verifiable costs through a nonbypassable surcharge. An

investor-owned electric company is entitled to recover its prudently incurred and verified costs at an annual rate of return that meets or exceeds the rate of return on its transmission rate base approved by the Federal Energy Regulatory Commission for that calendar year.

An investor-owned electric company that is a member of a regional transmission organization (RTO) that operates a wholesale market may (1) operate a generating facility and participate in the RTO's wholesale market and (2) apply any net revenues earned from that participation against the operating costs of the generating facility.

Front-of-the-meter Transmission Energy Storage Devices

In accordance with Chapters 625 and 626 of 2025 (discussed below in the Current Law section), when selecting a proposal for a front-of-the-meter transmission energy storage device project, PSC must specify either:

- a 15-year pricing schedule that uses a monthly fixed price for each megawatt that represents the anticipated wholesale value of capacity for the energy storage device and the benefits identified from a required cost-benefit analysis of the project (the only option available to PSC under current law); or
- a pricing schedule that uses a monthly fixed price that represents the cost to construct and operate the energy storage device and the benefits identified from the required cost-benefit analysis of the project.

In addition to other specifications required under current law, PSC must specify that any wholesale market revenue received by the energy storage project must be (1) offset by the pricing schedule approved by PSC and (2) transmitted to PSC to be held in escrow for distribution to electric companies for refund or credit to distribution customers. PSC must further specify that, to continue receiving payment for an energy storage device project, an applicant must demonstrate, to the satisfaction of PSC, that the applicant's energy storage device is participating in the PJM capacity market at its full capability to reasonably maximize the project's market revenues (in addition to the existing requirement that the device be available).

Current Law:

Electric Utility Industry Restructuring

The Electric Customer Choice and Competition Act of 1999 facilitated the restructuring of the electric utility industry in Maryland, which deregulated the generation, supply, and pricing of electricity. As part of restructuring, the State's vertically integrated electric companies divested themselves of their generation assets. With restructuring, generation resources are considered competitive, and the competitive market is relied upon to provide

new generation resources and to meet load requirements. Deactivation decisions are made by facility owners as business decisions. PSC does not have regulatory authority over plant closures.

Construction and Operation of Generating Facilities and Related Transmission Facilities

In order to meet long-term, anticipated demand in the State for standard offer service and other electricity supply, PSC may require or allow an investor-owned electric company to construct, acquire, or lease, and operate, its own generating facilities, and transmission facilities necessary to interconnect the generating facilities with the electric grid, subject to appropriate cost recovery.

PSC is the lead agency for licensing the siting, construction, and operation of power plants and related facilities in the State through Certificates of Public Convenience and Necessity (CPCNs). Generally, facilities with generating capacities of up to 2 megawatts do not require a CPCN. Energy generating systems that produce energy from natural gas are not prohibited, although the CPCN evaluation process includes consideration of the impact of the generating station on the quantity of annual and long-term statewide greenhouse gas (GHG) emissions and consistency of the CPCN application with the State's climate commitments for reducing GHG emissions.

Other Related Climate and Renewable Energy Initiatives

The Maryland Department of the Environment's (MDE) Climate Change Program leads the State's efforts to reduce GHG emissions, as required by the Greenhouse Gas Emissions Reduction Act (GGRA) and participation and oversight in other initiatives, including the Regional Greenhouse Gas Initiative (RGGI) and the U.S. Climate Alliance. The program also ensures State compliance with climate-related State and federal laws, such as the Climate Solutions Now Act (CSNA), discussed below.

The U.S. Climate Alliance is a bipartisan coalition of governors, including the Governor of Maryland, committed to reducing GHG emissions consistent with the goals of the Paris Agreement. Maryland participates in the multi-state RGGI in order to reduce CO₂ emissions from the power sector. Each participating state limits CO₂ emissions from electric power plants, issues CO₂ allowances, and establishes participation in CO₂ allowance auctions. A single CO₂ allowance represents a limited authorization to emit one ton of CO₂.

CSNA made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, CSNA accelerated previous statewide GHG emissions reductions targets originally established under GGRA by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce

GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045. In December 2023, MDE published [Maryland's Climate Pollution Reduction Plan](#), which was developed to implement CSNA.

Among other actions, Executive Order 01.01.2024.19 directed the Maryland Energy Administration (MEA) to establish a framework for a clean energy standard to achieve 100% clean electricity in Maryland by 2035 and determine if all or part of the proposed clean energy standard can be implemented through existing authority. MEA published the resulting [report](#) in January 2025.

Front-of-the-meter Transmission Energy Storage Devices

Chapters 625 and 626 (Next Generation Energy Act) require PSC, by regulation or order, to establish a competitive process for the procurement of projects for the construction and deployment of up to 1,600 megawatts of front-of-the-meter transmission energy storage devices in the State. PSC may end the process without selecting a proposal if PSC makes specified findings.

Subject to specified requirements, including a public hearing process, PSC must proceed with two rounds of applications and related approval and construction timelines for up to 800 megawatts of front-of-the-meter transmission energy storage capacity each. For the first round, PSC must issue the procurement solicitation by January 1, 2026, and issue one or more orders to select a proposal or proposals for development by October 1, 2026. The deadlines for the second round are one year later.

PSC must include specifications in its procurement solicitations requiring that, among other things, each proposal contain a proposed pricing schedule and a cost-benefit analysis, as specified. Additionally, an applicant must include a proposed decommissioning plan for each energy storage project.

PSC must take certain actions in selecting a proposal, including specifying:

- a 15-year pricing schedule that uses a monthly fixed price for each megawatt that represents the anticipated wholesale value of capacity for the energy storage device and the benefits identified from a project's required cost-benefit analysis;
- that each electricity supplier is responsible for purchasing storage capacity credits at the monthly fixed price schedule proportional to the electricity supplier's capacity obligation;
- that all PJM capacity market revenue earned by the energy storage project be transmitted to PSC to be held in escrow for distribution to electric companies to be refunded or credited to each distribution customer proportional to the electricity supplier's monthly capacity purchase obligation;

- that the energy storage project must retain any energy and ancillary services revenue earned;
- that electric companies must jointly select an escrow administrator, in consultation with PSC; and
- that any cost recovery by an electric company must be done through a nonbypassable surcharge established by the company that is added to the electric company's base distribution rate or supply rate on customer bills.

PSC must also specify that for continued receipt of payment under the above provisions, an applicant must demonstrate, to the satisfaction of PSC, that the applicant's energy storage device is available.

Generally, any energy storage devices selected under these procurements must be operational within 24 months of selection. The energy storage devices may be paired with Tier 1 or Tier 2 renewable sources.

State Fiscal Effect: The overall effect on State finances is unknown, for several reasons. First, it is unclear whether and to what extent the bill leads to new generating facilities being constructed in the State. If a new generating facility is constructed in the State as a direct result of the bill, when it otherwise would not have been, State revenues increase from the associated economic activity and there are fiscal and operational effects on PSC, OPC, and DNR. Second, if PSC makes a determination requiring any electric companies to submit resource adequacy plans, there are likely additional effects on those three agencies. Finally, PSC may need to retain a third-party manager to implement the bill's provisions related to front-of-the-meter transmission energy storage.

Significant effects of the bill are discussed separately below, organized by State agency. The effect on State expenditures for electricity is discussed in the Additional Comments section below.

Public Service Commission

To the extent the bill results in the construction, acquisition, ownership, or leasing of new generating facilities by investor-owned electric companies, PSC must hire additional staff and retain consultant support. Among other things, PSC anticipates needing multiple additional staff to navigate the complexity and breadth of the bill's cost recovery provisions, including the development of a surcharge. PSC also anticipates that it needs to engage consultants to assist with specialized technical, financial, and market analyses, including reliability and cost-of-service analyses.

Separately, PSC may need additional resources to implement the provisions of the bill related to resource adequacy plans and front-of-the-meter transmission energy storage. To

the extent that PSC makes a determination, in accordance with the bill, that requires an electric company to submit a resource adequacy plan, PSC may incur additional consultant costs to evaluate such a plan. Regarding the bill's provisions related to front-of-the-meter transmission energy storage, PSC advises that it is not operationally structured to perform real-time dispatch, bidding, scheduling, and market optimization of resources in PJM markets. Thus, PSC anticipates that it likely needs to retain a third-party asset management or market participation contractor to provide real-time dispatch, scheduling coordination, performance monitoring, and settlement services to implement these provisions.

Accordingly, special fund expenditures for PSC increase to the extent that (1) any new generating facilities are constructed, acquired, owned, or leased by an investor-owned electric company as a result of the bill; (2) an electric company is required to submit a resource adequacy plan to PSC and commission staff require the assistance of a consultant to evaluate such a plan; and/or (3) PSC hires a third-party manager to implement the bill's provisions related to front-of-the-meter transmission energy storage. To the extent that special fund expenditures for PSC increase, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

Office of People's Counsel

To the extent the bill facilitates the construction, acquisition, ownership or leasing of new generating facilities by investor-owned electric companies and/or leads to the submission of resource adequacy plans by electric companies, OPC requires additional resources to handle the increase in work volume.

OPC advises that, given the bill's potential to affect residential ratepayers, it must actively participate in any PSC proceedings related to the bill's implementation and anticipates needing commensurate additional resources to do so.

Accordingly, special fund expenditures for OPC may increase due to the bill. As OPC is also funded through assessments on public service companies, any increase in special fund expenditures is funded through a corresponding increase in special fund revenues from assessments imposed on public service companies.

Department of Natural Resources

DNR advises that its Power Plant Research Program (PPRP) requires additional staff and consultant support if investor-owned electric companies seek to construct and operate generating facilities under the bill. DNR estimates that the bill may result in one additional CPCN application each year, although the actual number may vary. According to DNR, for each additional generating facility project resulting from the bill annually, PPRP's consultant expenses increase by approximately \$125,000.

DNR further advises that, if an electric company is required to develop and submit a resource adequacy plan to PSC under the bill, PPRP likely needs to review the plan and make a recommendation to PSC. DNR anticipates that any costs incurred by PPRP to do so are likely no more than \$20,000 per plan.

Thus, general/special fund expenditures for DNR may increase as a result of the bill. In general, special funds from the Environmental Trust Fund are used to fund a significant portion of PPRP's operations. PPRP also receives funding from the Strategic Energy Investment Fund in the fiscal 2027 budget as introduced (see the *Governor's Fiscal 2027 Budget Books, Volume I*, page 462). However, PPRP's workload and costs have been increasing and, to the extent sufficient special funds are not available to cover PPRP's costs to implement the bill, general funds may be required to cover a portion or all of the costs.

Local Fiscal Effect: The bill's effect on local government finances and operations is unclear. To the extent that new generating facilities are constructed in the State as a direct result of the bill, when they otherwise would not have been, local governments likely incur an increase in workload associated with planning and zoning reviews, building inspections, and related activities associated with the local review of projects. On the other hand, local revenues increase from any related permit fees as well as the associated economic activity resulting from any new generating facilities constructed in the State as a direct result of the bill. As discussed in the Additional Comments section below, the bill may also affect the electricity rates paid by local governments.

Small Business Effect: To the extent that new energy generating facilities are constructed in the State as a direct result of the bill, small businesses that provide construction and/or maintenance services for such facilities benefit. Additionally, all small businesses, and particularly small businesses with significant electricity use, are affected by any change in electricity rates, as discussed in the Additional Comments section below.

Additional Comments: The bill's net effect on electricity rates paid by electric customers, including the State, local governments, and small businesses, is unclear. If the bill does not result in investor-owned electric companies constructing and operating new generating facilities, the impact on ratepayers is likely minimal to none. However, to the extent the bill leads investor-owned electric companies to construct and operate new generating facilities, electricity rates could be affected significantly. The extent and direction of any change in rates depends on several factors, including the construction and financing costs for the new generating facilities and conditions in the wholesale electricity market.

Accordingly, the Department of Legislative Services advises that, while the bill could have a significant effect on electricity rates, the direction or magnitude of that effect cannot be reliably estimated at this time.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years; however, legislation with similar provisions has been proposed. For example, see SB 643 and HB 1329 of 2025.

Designated Cross File: SB 954 (Senator Harris) - Education, Energy, and the Environment.

Information Source(s): Maryland Department of the Environment; Department of Natural Resources; Office of People’s Counsel; Public Service Commission; Department of Legislative Services

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