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FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 841

(Senator Feldman, *et al.*)

Education, Energy, and the Environment

Environment and Transportation

Utility RELIEF (Reducing Energy Load Inflation for Everyday Families) Act

This bill takes various actions related to State- and ratepayer-funded energy programs, the Strategic Energy Investment Fund (SEIF), utility rates and cost recovery, the Certificate of Public Convenience and Necessity (CPCN) process, and local solar permitting. The bill also (1) establishes and modifies consumer transparency requirements for utilities; (2) requires the Public Service Commission (PSC) to establish a registry and voluntary clean capacity rating program for large load customers; and (3) makes administrative changes. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: While there is insufficient time to complete a comprehensive analysis, State finances are significantly affected. The bill effectuates \$334.5 million in contingent special fund appropriations from SEIF in the FY 2027 budget as passed by the General Assembly; the budget also includes \$150,000 in SEIF special funds related to – but not contingent on – the bill. Other impacts cannot be readily quantified at this time.

Local Effect: While there is insufficient time to complete a comprehensive analysis, local governments are affected. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Bill Summary: Broadly, the bill:

- establishes a Green and Renewable Energy Efficiency for Nonprofits Loan Program in the Maryland Clean Energy Center (MCEC) and an associated loan fund to provide no-interest loans to nonprofit organizations for renewable energy systems and energy efficiency actions;
- establishes, under the building energy performance standards (BEPS) administered by the Maryland Department of the Environment (MDE), a reduced alternative compliance fee rate for covered buildings that use only electricity generated on-site and are not interconnected with the electric system;
- transfers administration of the Electric Universal Service Program (EUSP) from PSC under Title 7 of the Public Utilities Article to the Office of Home Energy Programs (OHEP) in the Department of Human Services (DHS) under Title 5 of the Human Services Article, specifies that employees transferred to DHS as a result of the bill must be transferred without diminution of their rights, benefits, employment, or retirement status, and makes other changes to the provisions governing EUSP;
- modifies and establishes requirements applicable to county and municipal processes for permitting and inspection of residential solar energy and energy storage systems (including requirements regarding implementation of solar permitting software, the use and timeliness of remote and in-person inspections, the scope of permit review, and permit fees), requires annual reporting of numbers of permits issued, and requires specified timely meter disconnection and reconnection by an electric company (other than a municipal electric utility or a third-party contractor for the electric company) if necessary for interconnection of a system;
- requires public service companies that are investor-owned electric companies, gas companies, or combination gas and electric companies to include on each customer bill a link to the applicable case or docket number when they initiate a proceeding that may lead to a rate change;
- establishes specified restrictions on the approval and administration of multi-year rate plans used by public service companies that are electric companies, gas companies, or combination gas and electric companies;

- establishes specified cost recovery limitations for investor-owned electric, gas, and combination gas and electric companies, including prohibiting recovery, through rates, of any costs associated with executive officer compensation exceeding 110% of the maximum annual salary payable to the chair of PSC;
- requires PSC, under provisions related to limited-income mechanisms (under § 4-309 of the Public Utilities Article), to (1) take final action on a utility company proposal to adopt a limited-income mechanism as soon as practicable and (2) require each utility company to implement an approved limited-income mechanism as soon as practicable;
- requires any person that owns or operates a transmission line that is designed to carry a voltage in excess of 69,000 volts and is located in the State to participate as a member in a regional transmission organization (RTO);
- requires PSC or, at PSC’s direction, a person applying for a CPCN for the construction of a transmission line, to provide notice to specified landowners, and sets forth the actions that PSC must or may take if the required notice is not provided;
- replaces references to “overhead transmission lines” with “transmission lines” in §§ 7-207 and 7-208 of the Public Utilities Article, unless otherwise specified, thereby expanding the applicability of those provisions to underground transmission lines;
- makes various other changes to § 7-207 of the Public Utilities Article, including requiring a CPCN applicant, for an application submitted on or after July 1, 2026, to provide (1) evidence that the applicant considered specified transmission planning processes as part of its internal planning and (2) an analysis of its transmission line route selection;
- requires PSC to take final action on an application for a CPCN for an underground transmission line within 180 days after receiving a complete application;
- imposes prevailing wage requirements, as specified, on any person that submits an application for approval of the construction of a solar energy generating station;
- requires each owner or operator of a transmission line, by December 1, 2026, and every four years thereafter, to submit a report to PSC related to transmission congestion;

- requires, in accordance with specified timelines, (1) PSC to establish specified electric system utilization metrics for electric companies, annually review and assess those metrics, and establish targeted utilization improvements and (2) each electric company to submit a utilization improvement plan to PSC;
- modifies the EmPOWER Maryland Program by, among other things, (1) temporarily reducing the program’s annual greenhouse gas (GHG) emissions reduction targets for each electric company plan from 2.25% in 2026 and 2.5% each year beginning in 2027 to 1.75% each year from 2026 through 2029, 2.0% each year from 2030 through 2032, and 2.25% each year from 2033 through 2035 (the targets return to 2.5% each year beginning in 2036) and (2) exempting any gas company that had not implemented an EmPOWER program or service before January 1, 2026, from doing so on or after July 1, 2026;
- repeals the existing definition of “large load customer” and instead defines the term to mean, with specified exceptions, a commercial or industrial customer for retail electric service that has or is projected to have a minimum aggregate monthly demand of 25 megawatts and a load factor of more than 60%;
- requires PSC, when determining whether to approve a specific rate schedule for large load customers submitted by an investor-owned electric company, electric cooperative, or municipal electric utility to consider whether the rate schedule allocates to the large load customer (1) any increased or avoided costs that PSC determines have been caused by a large load customer and (2) any direct or indirect costs, fees, and obligations that are normally applied to retail electric customers if PSC determines that those costs, fees, and obligations should be attributable to the large load customer (and establishes related intent of the General Assembly);
- requires PSC, by January 1, 2027, to establish a large load customer registry and develop, as specified, a registration process for new or expanded large load customer interconnections;
- requires PSC to develop a voluntary clean capacity rating program that, among other things, establishes clean capacity ratings for participating large load customers, offers specified benefits to participants that receive a gold or platinum rating, and requires each electric company to establish an interconnection process for program participants;

- requires PSC to conduct a stakeholder proceeding exploring the development and implementation of a successor net energy metering program and, by order or regulation, develop and implement a successor program, to begin July 1, 2027, that (1) provides incentives for development of distributed generation; (2) minimizes ratepayer costs; (3) balances specified factors (balancing the interests and impacts of different types of program participants and the interests of nonparticipating ratepayers); and (4) is available until the combined generating capacity under the existing net energy metering program and the successor program reaches 6,000 megawatts;
- establishes (1) criteria that must be met by community solar energy generating systems that are placed in service after July 1, 2027, in order to be eligible to participate under the existing net energy metering program (if the 3,000 megawatt capacity limit for the existing net energy metering program has not been reached by July 1, 2027), and (2) the ongoing eligibility of those participating in the existing net energy metering program to remain under the existing program until their system is decommissioned;
- under the Community Solar Energy Generating Systems Program, allows a community solar energy generating system to contribute the monetary retail value equivalent of 10% of the system's output for the previous year, to SEIF (to be used for direct energy assistance programs), as an alternative to complying with the requirement that a system serve at least 40% of its kilowatt-hour output to LMI subscribers (low- or moderate-income subscribers or subscribers living in an overburdened and underserved community);
- authorizes a person to purchase and install, for residential use only, a portable solar energy generating system;
- prohibits PSC from adopting or enforcing any regulation or order that prohibits a public service company from offering a discount or payment plan for the connection or extension of a natural gas line to a customer's property;
- alters the DRIVE Act of 2024 to transfer primary authority for administering upfront incentives and rebates for acquiring and installing on-site renewable energy systems from PSC (through investor-owned electric companies) to the Maryland Energy Administration (MEA), as specified, and modifies related statutory provisions;

- repeals part of the definition of “large capacity energy resource” in Title 7, Subtitle 12 of the Public Utilities Article (Energy Solicitation and Procurement) so that the term means a generating station or energy storage device that has a capacity rating equal to or greater than 20 megawatts after accounting for the effective load carrying capability, thereby allowing PSC to consider a broader range of projects for the expedited CPCN process established under the Next Generation Energy Act of 2025;
- authorizes PSC, before a nuclear energy generation project begins commercial operation, to approve an increase of the total cost of the nuclear energy generation project under a long-term pricing purchase obligation by up to 15%, and modifies the definition of “zero-emission credit” under related provisions;
- modifies specified provisions of the Next Generation Energy Act related to procurement solicitations for the construction and deployment of front-of-the-meter transmission energy storage devices in the State;
- specifies that the first term of the Director of the Strategic Energy Planning Office (SEPO) begins on July 1, 2026, authorizes the House Environment and Transportation Committee, rather than the House Economic Matters Committee, to jointly request, with the Senate Committee on Education, Energy, and the Environment, that SEPO annually assess up to five policy scenarios, and explicitly authorizes those committees to make such a request by December 1, 2026;
- prohibits a person, in Baltimore City only, from constructing a data center in a development district subject to tax increment repayment on outstanding bonds, except as otherwise specified;
- allows the Board of Public Works, on the recommendation of the Secretary of General Services, to waive the requirement to include a termination for convenience clause in a multi-year State contract to procure Tier 1 or Tier 2 renewable energy for the State;
- authorizes MEA to require applicants for a grant from the Energy Storage System Grant Program to participate in programs or tariffs established by PSC under the DRIVE Act regarding electric distribution system support services;

- requires MEA, in consultation with PSC, to conduct annual competitive, low-bid auctions, in 2027 and 2028, to award grants to eligible bidders to fund renewable energy generation and energy storage projects in the State that are needed to satisfy the State’s Renewable Energy Portfolio Standard (RPS), using alternative compliance payment (ACP) revenues in SEIF (which are generated from renewable energy shortfalls under the RPS);
- specifies allocations from SEIF – which are consistent with appropriations in the fiscal 2027 budget as passed by the General Assembly (all but \$150,000 of which is contingent on the enactment of legislation; this bill effectuates those contingent appropriations) – and authorizes the Governor to transfer the funds by June 30, 2027, as follows:
 - \$100.0 million from ACPs to MEA to be awarded as grants under the auction process described above;
 - \$100.0 million from ACPs to PSC to be awarded as grants to electric companies (including electric cooperatives and municipal electric utilities) to pay down the costs incurred to implement and administer the EmPOWER Maryland Program;
 - \$38.0 million from ACPs to PSC to be awarded as grants to electric companies to be refunded or credited to residential electric customers to offset costs associated with the limited-income rate mechanism required under § 4-309 of the Public Utilities Article;
 - \$150,000 from ACPs to the Comptroller to provide funding for a comprehensive study of public school HVAC systems in Baltimore City;
 - \$9.85 million from ACPs and \$9.0 million from Regional Greenhouse Gas Initiative (RGGI) proceeds to the Interagency Commission on School Construction (IAC) to be used for upgrades to public school HVAC systems in Baltimore City;
 - \$2.0 million from ACPs to provide additional funding for MEA’s Residential and Commercial Energy Storage Grant Program;
 - \$3.0 million from SEIF to provide additional funding for the Power Plant Research Program (PPRP) within the Department of Natural Resources (DNR) to review renewable and clean energy projects; and
 - \$72.65 million from SEIF to be transferred to the Dedicated Purpose Account (DPA) to provide additional funding for MEA’s Residential Energy Equity Program for heat pump installations and replacements for low- and moderate-income households;

- under existing statutory provisions governing the use of SEIF, expands the purposes for which MEA is required and/or authorized to use SEIF funds – some for one year only, some for multiple years, and some on a permanent basis – to include:
 - the use of at least \$100.0 million of ACP revenues in each of fiscal 2027 and 2028 for the auction of grants for renewable energy and energy storage projects (mentioned above);
 - in fiscal 2027 only, the purposes described in the last seven funding allocations listed above;
 - providing funds to the Green and Renewable Energy Efficiency for Nonprofits Loan Fund (mentioned above);
 - providing loans and grants for building and transportation electrification, including electrification relating to district energy systems (that generate thermal energy at one or more central facilities to support nearby buildings);
 - providing loans and grants for programs, projects, and technologies that assist covered buildings in meeting BEPS;
 - distributing money received from community solar energy generating systems (that contribute the monetary retail value equivalent of 10% of their output to SEIF as an alternative to meeting the 40% LMI subscriber requirement, discussed above) for enhancing energy assistance programs administered by OHEP or other direct energy assistance programs designated for low-income households;
 - providing supplemental funds for low-income energy assistance through electric *and fuel* assistance programs in DHS; and
 - providing rate relief by offsetting electricity rates of residents of apartment houses for which electricity service is provided through submetering or an energy allocation system;
- imposes specified reporting requirements on DNR, MCEC, MDE, MEA, PSC, and SEPO and modifies specified reporting deadlines for MEA;
- requires PSC to (1) after the completion of a specified proceeding, conduct an additional proceeding to determine whether it is prudent to allow a public service company to use forecast test years, historic test years, or a hybrid model in a future base rate proceeding; (2) conduct a full costs and benefits analysis of sources of electricity generation in the State, as specified; (3) notify specified committees of the General Assembly by December 1, 2026, if PSC determines that specified timelines in the bill (relating to large load customer registration) are insufficient for load forecasting; and (4) prepare recommendations for changes to the next program cycle for the EmPOWER Maryland Program;

- requires PSC to issue a request for information on the use of a third-party, single-implementer program for the administration of the programs and services under the EmPOWER Maryland Program, followed by a request for proposals and the selection of a third-party administrator (except as otherwise provided), in accordance with specified timelines and requirements;
- requires PPRP, in consultation with MDE and MEA, to conduct a study to identify ways to streamline the permitting process for energy development in the State; in conducting the study, PPRP must (1) identify up to 50 priority energy sites suitable for new or expanded generating stations or energy storage devices; (2) identify current bottlenecks and barriers in the State that extend State and local permitting timelines; and (3) develop recommendations on what a State-level zoning or permitting structure should look like in order to promote fast-tracked development at the priority energy sites identified during the study; and
- authorizes the Department of General Services to issue a request for proposals for a long-term lease for new or expanded generating stations or energy devices on any State-owned site identified in that study if, according to the study, the site is not subject to significant permitting bottlenecks or barriers.

Current Law: Various provisions of current law related to the bill are included in the **Appendix – Current Law**.

State Fiscal Effect: While there is insufficient time to complete a comprehensive analysis, State finances are significantly affected. The bill effectuates \$334.5 million in contingent special fund appropriations from SEIF – across several agencies – in the fiscal 2027 budget as passed by the General Assembly, as discussed in more detail below. The fiscal 2027 budget as passed by the General Assembly also includes an additional \$150,000 in SEIF special funds related to – but not contingent on – the bill. Other effects on State finances, including SEIF, are anticipated but cannot be readily quantified at this time.

Nevertheless, administrative costs will likely be incurred for several State agencies (for additional staff and consultants). At a minimum, PSC, the Office of People’s Counsel (OPC), DNR, and MEA experience operational impacts; however, there is insufficient time to quantify any related administrative costs. Other State agencies may likewise be affected.

The bill’s effect on State expenditures for electricity and gas is discussed broadly in the Additional Comments below.

Related Funding in the Fiscal 2027 Budget as Passed by the General Assembly

The fiscal 2027 budget as passed by the General Assembly includes \$249.85 million in special funds from ACPs paid into SEIF, contingent on the enactment of legislation expanding the allowable uses of SEIF for certain purposes, as follows:

- \$100.0 million for PSC to provide grants to utilities to provide a downpayment on EmPOWER Maryland residential program costs, contingent on the enactment of legislation expanding the allowable uses of SEIF ACPs for that purpose;
- \$100.0 million for MEA to provide grants for new renewable energy and energy storage capacity under a reverse auction process, contingent on the enactment of legislation expanding the allowable uses of SEIF ACPs to include a new grant program in MEA to provide grants based on a reverse auction process;
- \$38.0 million for PSC to offset ratepayer costs associated with the Limited Income Discount Program, contingent on the enactment of legislation expanding the allowable uses of SEIF ACPs for that purpose;
- \$9.85 million in pay-as-you go (PAYGO) special funds for IAC for the purpose of public school HVAC upgrades in Baltimore City, contingent on the enactment of legislation expanding the allowable uses of SEIF ACPs to include public school HVAC upgrades; and
- \$2.0 million for MEA to provide additional funding for the Residential and Commercial Energy Storage Grant Program, contingent on the enactment of legislation expanding the allowable uses of SEIF ACPs to include the grant program.

The fiscal 2027 budget as passed by the General Assembly also includes \$150,000 in special funds from SEIF ACPs for the Office of the Comptroller for the purpose of conducting a comprehensive study of the HVAC systems in four 21st Century School Buildings in Baltimore City experiencing chronic operational challenges, as specified. While this is consistent with provisions of the bill that require \$150,000 in SEIF ACPs to be used to provide funding for a comprehensive study of public school HVAC systems in Baltimore City, the budgeted funding is not contingent on the enactment of the bill. (However, budgeted funds not expended for the purpose specified above may not be transferred by budget amendment or otherwise and must be canceled.)

The fiscal 2027 budget as passed by the General Assembly also includes \$84.65 million in special funds from proceeds from RGGI paid into SEIF, contingent on the enactment of legislation authorizing the use of that funding for specified purposes, as follows:

- \$9.0 million in PAYGO special funds for IAC for upgrades to public school HVAC systems in Baltimore City, contingent on legislation authorizing spending for that purpose, notwithstanding SEIF-RGGI account restrictions;
- \$3.0 million to provide funds for PPRP to assist with the review of renewable and clean energy projects, contingent on legislation authorizing spending for that purpose; and
- \$72.65 million for DPA to provide funds for MEA’s Residential Energy Equity Program for heat pump installation and replacement for low- and moderate-income households, contingent on legislation authorizing spending for that purpose, notwithstanding SEIF-RGGI account restrictions.

Local Fiscal Effect: While there is insufficient time to complete a comprehensive analysis, several provisions in the bill affect or potentially affect local government finances. Among other effects, as noted above, the fiscal 2027 budget as passed by the General Assembly includes funding from SEIF for public school HVAC upgrades in Baltimore City, contingent upon the enactment of legislation authorizing spending for that purpose; this bill effectuates those contingent appropriations.

Additionally, municipal electric utilities may be affected. For example, under current law, a municipal electric utility must submit a large load customer rate schedule to PSC for approval upon receiving an application for service. By lowering the threshold at which an electric customer (such as a data center) qualifies for a large load rate schedule, the bill may require affected municipal electric utilities to submit additional rate schedules for PSC approval, resulting in increased administrative costs. The five municipal electric utilities are located in Berlin (Worcester County), Easton (Talbot County), Hagerstown (Washington County), Thurmont (Frederick County), and Williamsport (Washington County).

The bill’s effect on local government expenditures for electricity and gas is discussed broadly in the Additional Comments below.

Small Business Effect: While there is insufficient time to complete a comprehensive analysis, several provisions in the bill affect or potentially affect small businesses. For example, the bill’s provisions relating to residential solar permitting, inspections, and interconnection may benefit small businesses engaged in residential solar installations to the extent they result in a more streamlined and consistent solar energy and energy storage permitting process across local jurisdictions. In addition, small businesses engaged in projects under – or that participate in programs offered through – the EmPOWER Maryland Program are affected by the anticipated reduction in program funding levels.

The bill’s effect on small business expenditures for electricity and gas is discussed broadly in the Additional Comments below.

Additional Comments: While there is insufficient time to complete a comprehensive analysis, electric rates decrease – or future rate increases may be minimized – as a result of various provisions in the bill. Although a reliable estimate of the decrease in electric rates cannot be made at this time, the bill’s cumulative impact on electric rates is expected to be significant. For example, provisions related to the EmPOWER Maryland Program and mandatory participation in an RTO are anticipated to have a meaningful effect on electric rates in the near term, as discussed in further detail below. Certain provisions in the bill are also likely to affect gas utility rates; however, the overall effect on gas utility rates is unclear at this time.

Modifications to the EmPOWER Maryland Program

OPC estimates that the EmPOWER surcharge accounted for approximately 5.1% to 7.1% of an average electric customer’s total bill in 2025. As a result of the bill’s modifications to the EmPOWER Maryland Program, which are expected to significantly reduce the surcharge for electric customers, those customers are likely to see measurable decreases in their bills.

Specifically, the bill decreases the GHG emissions reduction targets for electric company plans from 2026 through 2035, including reducing the target to 1.75% for 2026 through 2029 (down from 2.25% in 2026 and 2.5% from 2027 through 2029). These altered targets decrease the amount of funding that electric companies need to implement the EmPOWER Maryland Program and, in turn, are expected to significantly reduce the EmPOWER surcharge for those customers relative to what it otherwise would have been.

The Department of Legislative Services (DLS) advises that it cannot reliably estimate the potential decrease in the EmPOWER surcharge at this time. However, DLS notes that, in compliance year 2024, the State’s four investor-owned utilities and the Southern Maryland Electric Cooperative collectively spent approximately \$331.0 million on EmPOWER energy efficiency and conservation programs.

Mandatory Participation in a Regional Transmission Organization

According to OPC, requiring the State’s electric companies to participate in an RTO is expected to save Maryland’s electric customers – in the aggregate – at least \$20.0 million annually, based on Federal Energy Regulatory Commission (FERC) decisions in similar circumstances in other states. These savings are driven by the likely elimination of the “RTO adder,” a transmission rate incentive that FERC offers to encourage RTO participation and for which Maryland’s four investor-owned utilities currently qualify as members of PJM Interconnection, LLC. Under FERC precedent, public service companies whose membership in an RTO is mandated by state law are ineligible for the adder.

While DLS advises that savings could accrue to ratepayers as early as calendar 2027, the timing ultimately depends on FERC action and the potential for litigation related to the removal of the adder.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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Appendix – Current Law

Maryland Clean Energy Center

The Maryland Clean Energy Center (MCEC) was established by Chapter 137 of 2008 as a body politic and corporate and an instrumentality of the State. The purpose of MCEC is to (1) promote economic development and jobs in the clean energy industry sector; (2) promote the deployment of clean energy technology; (3) serve as an incubator for the development of the clean energy industry; (4) in collaboration with the Maryland Energy Administration (MEA), collect, analyze, and disseminate industry data; (5) provide outreach and technical support to further the clean energy industry; and (6) work as a green bank and in conjunction with local and private green banks. MCEC may make grants or provide equity investment financing to clean energy technology-based businesses and may borrow money and issue bonds consistent with its purpose. While MCEC is established in State law and receives certain State funding, its finances are managed independent of the State budget, with its annual budget instead approved by its board of directors.

Climate Solutions Now Act and the Building Energy Performance Standards

Climate Solutions Now Act – In General: The Climate Solutions Now Act of 2022 (CSNA) made broad changes to the State’s approach to reducing statewide greenhouse gas (GHG) emissions and addressing climate change. Among other things, CSNA accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act 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.

Building Energy Performance Standards: To accomplish these goals, among other things, CSNA requires the Maryland Department of the Environment (MDE) to develop building energy performance standards (BEPS) for covered buildings that achieve (1) a 20% reduction in net direct GHG emissions by January 1, 2030, as compared with 2025 levels for average buildings of similar construction and (2) net-zero direct GHG emissions by January 1, 2040. To facilitate the development of these BEPS, MDE must require covered building owners to measure and report direct emissions data to the department each year beginning in 2025. The provision requiring MDE to set a standard that achieves net-zero direct GHG emissions for covered buildings terminates December 31, 2029.

“Covered building” means a building that (1) is a commercial or multifamily residential building in the State or is owned by the State and (2) has a gross floor area of 35,000 square

feet or more (excluding the parking garage area). The term does not include (1) a building designated as a historic property under federal, State, or local law; (2) a public or nonpublic elementary or secondary school building; (3) a hospital; (4) a manufacturing building; or (5) an agricultural building.

Implementing Regulations: CSNA also required MDE to adopt regulations to implement BEPS by June 1, 2023. The regulations must meet several specified requirements. As altered by Chapter 844 of 2025, among other things, the regulations must (1) include energy use intensity (EUI) targets by building type, as specified; (2) include specified special provisions, exceptions, and exemptions from BEPS requirements; (3) include an alternative compliance pathway allowing an owner of a covered building to pay a fee for GHG emissions attributable to the building's failure to meet direct GHG emissions reduction targets; (4) to the extent authorized by law, include financial incentives recommended by the Building Energy Transition Implementation Task Force; and (5) include an annual reporting fee of \$100 per covered building, adjusted for inflation, to cover the administrative costs of the BEPS program.

MDE initiated the regulatory promulgation process to implement the required BEPS regulations in December 2023 but ultimately withdrew the regulations in December 2024 while simultaneously adopting a similar version of the regulations that took effect December 23, 2024. The adopted regulations establish BEPS and related benchmarking and reporting requirements under COMAR 26.28.

Of note, the adopted regulations do not include site EUI standards, which are required under statute. The fiscal 2025 budget as enacted included language restricting funding for the final development and submission of regulations that address site EUI targets and standards until MDE submits, among other things, a report on site EUI costs and alternatives to site EUI for meeting GHG targets. The required report components were incorporated into a larger report required under Chapter 844. MDE anticipates that the report will be submitted by December 31, 2026, and that the other related requirements will be completed in 2027.

Energy Assistance Programs and the Office of Home Energy Programs

The Office of Home Energy Programs (OHEP), located within the Department of Human Services (DHS), administers a variety of energy assistance programs and services for residential customers using local administering agencies, including local departments of social services, in each county and Baltimore City. These programs include, among others, the Electric Universal Service Program (EUSP) and the Maryland Energy Assistance Program (MEAP), which is Maryland's version of the federal Low Income Home Energy Assistance Program (LIHEAP).

EUSP helps the State’s vulnerable and traditionally underserved population pay their electric bills, minimize crises, and reduce their electric costs. Benefits include bill payment assistance, arrearage retirement assistance, and low-income residential weatherization assistance. Title 7 of the Public Utilities Article specifies that (1) the Public Service Commission (PSC) must establish an EUSP to assist electric customers with specified annual incomes; (2) OHEP is responsible for administering the bill assistance and the arrearage retirement components of EUSP; and (3) the Department of Housing and Community Development (DHCD) is responsible for administering the low-income residential weatherization component of EUSP.

Electric Universal Service Program Benefits and Eligibility: DHS may (1) establish minimum and maximum benefits available to an electric customer under the bill assistance and the arrearage retirement components and (2) coordinate benefits under EUSP with benefits under MEAP and other available energy assistance programs. In a specific case, EUSP may waive the income eligibility requirements to provide assistance to an electric customer who would qualify for MEAP.

Chapter 207 of 2023 requires OHEP to enroll in any fuel and utility assistance program any household with an individual who is categorically eligible for the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Supplemental Security Income, or means-tested Veterans Affairs benefits. Categorical eligibility refers to the practice of qualifying an applicant for a benefit program based on their prior or concurrent determination of eligibility for another benefit program.

Chapter 207 also increased the annual income eligibility level for EUSP to 200% of the federal poverty level (FPL). For its fiscal 2024 LIHEAP State plan, DHS submitted and received approval from the U.S. Department of Health and Human Services to increase the income eligibility for MEAP benefits from 175% to 200% FPL. This change set income eligibility for MEAP equal to EUSP income eligibility. Therefore, both programs require a household income of at or below 200% FPL.

Maryland Energy Assistance Program: MEAP helps the State’s vulnerable populations pay their heating bills, minimize crises, and make heating costs more affordable. Benefits include utility and fossil fuel payments, the Utility Service Protection Program, referrals to weatherization services, emergency heating system repairs/replacement, waivers on utility fees, discounts on fuel purchases, and a gas arrearage component. MEAP is 100% federally funded by LIHEAP. In general, MEAP benefits are paid directly to the building operator, property management company, or landlord if they agree to reduce the tenant’s utility charge or rent by the amount of the benefit received on the resident’s behalf. However, it is possible for a resident to receive the benefit directly if the heating bill is in the resident’s name.

Residential Solar Permitting

“Residential solar energy system” means any configuration of solar energy devices that collects and distributes solar energy for the purpose of generating electricity and that has a single residential interconnection with the electrical grid.

The Brighter Tomorrow Act of 2024 (Chapter 595) required each county and municipality, by August 1, 2025, to implement solar permitting software for features supporting the tracking and approval of residential building permits for solar energy systems, energy storage systems, main electrical panel upgrades, and main electrical panel derates.

“Solar permitting software” means (1) the most recent version of a web-based platform, developed by the National Renewable Energy Laboratory (NREL), that provides a standard portal for receiving and processing residential solar energy system and residential energy storage system permit information or (2) automated software that functions to support the tracking and approval of residential building permits for solar energy systems, energy storage systems, main electrical panel upgrades, and main electrical panel derates.

A county or municipality may not be required to comply with the requirement to implement solar permitting software if (1) it does not require a permit for residential solar energy systems or residential solar energy systems paired with a residential solar energy storage system or (2) as determined by MEA, the automated software is no longer updated or maintained.

MEA must delay the initial implementation or suspend the requirements for implementing solar permitting software if there are insufficient State or federal funds available to MEA to provide financial support to a county or municipality implementing the NREL-developed web-based solar permitting software.

Large Load Customers

The Next Generation Energy Act of 2025 established the intent of the General Assembly that residential retail electric customers in the State should not bear the financial risks associated with large load customers interconnecting to the electric system serving the State. “Large load customer” means a commercial or industrial customer for retail electric service that has or is projected to have an aggregate monthly demand of at least 100 megawatts and a load factor of over 80%.

By September 1, 2026, each investor-owned electric company and each electric cooperative must submit to PSC for approval a specific rate schedule for large load customers that accomplishes the above-described intent of the General Assembly. Each

municipal electric utility that receives an application for retail electric service from a large load customer must also submit a specific rate schedule for approval.

Service under a specific rate schedule must be available to large load customers that will use, within the initial contract term, either (1) a monthly maximum demand of more than 100 megawatts at a single location or (2) an aggregated contract capacity in the electric company's service territory of more than 100 megawatts.

In making a determination on whether to approve a specific rate schedule for large load customers, PSC must consider whether the rate schedule:

- requires a large load customer to cover the just and reasonable costs associated with any electric transmission or distribution system buildout required to (1) interconnect the customer to the electric system serving the State or (2) serve the customer;
- protects residential retail electric customers from the financial risks associated with large load customers through specified means; and
- sufficiently ensures that the allocation of costs to large load customers under the schedule does not result in other customers unreasonably subsidizing the costs of large load customers.

Report on Data Center Development

Chapter 3 of the 2025 special session requires MDE, MEA, and the University of Maryland School of Business, respectively, to complete assessments of the likely environmental, energy, and economic impacts of data center development in Maryland:

- MDE must undertake an assessment of the potential impacts of the data center industry on the State's natural resources, including an evaluation of (1) the potential impacts on air and water quality; (2) the potential impacts on the State's ability to meet its bay restoration goals and other environmental objectives; and (3) the availability of technologies that could mitigate the environmental impacts of data centers and the feasibility of implementing those technologies;
- MEA must assess the potential energy impacts of the data center industry, including an evaluation of (1) the energy requirements of data centers; (2) the industry's potential impacts on current and forecasted energy demand and supply in the State (including how data centers will likely affect future energy infrastructure needs and costs paid by ratepayers); and (3) the industry's potential impact on the State's ability to meet greenhouse gas emissions reduction commitments and clean energy goals; and
- the University of Maryland School of Business must assess, in consultation with industry experts, the potential economic and fiscal impacts of the data center

industry in the State, including an evaluation of (1) the likely impact of data centers on State and local revenues and expenditures and (2) the jobs likely to be created through the construction and operation of data centers.

The Department of Legislative Services must coordinate the preparation of the assessments and synthesize them into a final report submitted to the Governor and the General Assembly by September 1, 2026.

Public Service Company Rates

A public service company must charge just and reasonable rates for the regulated services that it renders. Generally, PSC has the power to set a just and reasonable rate of a public service company, as a maximum rate, minimum rate, or both. A “just and reasonable rate” means a rate that:

- does not violate any provision of the Public Utilities Article;
- fully considers and is consistent with the public good; and
- except for rates of a common carrier, will result in an operating income to the public service company that yields, after reasonable deduction for depreciation and other necessary and proper expenses and reserves, a reasonable return on the fair value of the public service company’s property used and useful in providing service to the public.

Generally, a public service company must file a tariff schedule of its rates and charges for its regulated services and for standard offer service with PSC. A public service company may not sell, render services, or furnish a commodity until it files and publishes its rate schedules with PSC. Additionally, a public service company may not demand or collect (1) compensation that differs from compensation specified in its rate schedules that are in force at the time of the demand or collection or (2) a charge that violates the statutory provisions that govern public utilities.

Rate Case Initiation, Notice Requirements, and Hearings

Unless otherwise ordered by PSC, a public service company may not establish a new rate or change in rate unless the public service company (1) provides to PSC notice of the new rate or change in rate at least 30 days before the new rate is established or current rate is changed and (2) publishes the new rate or change in rate, as specified, during the entire 30-day notice period in new schedules or plainly indicated amendments to existing schedules. The public service company must plainly set forth in the notice and publication (1) the changes that it proposes to the rate schedules currently in force and (2) the effective date of the changes.

PSC may suspend, effective immediately and without formal proceedings, any new rate or change in rate proposed by a public service company. PSC may (1) suspend the rate initially for up to 180 days after the proposed effective date and (2) extend the suspension for up to an additional 90 days if the filing is for an alternative form of ratemaking for a public service company.

To the extent necessary to receive public comment for each application for a rate increase, PSC must hold a hearing at a convenient location and time during evening hours (1) in person in the affected service area or (2) virtually, with appropriate notice provided so that persons in the affected service area may participate in the hearing.

Intervening in a Proceeding under § 3-106 of the Public Utilities Article

If a person files timely, the person may apply to intervene in a proceeding before PSC. PSC must grant leave to intervene unless PSC concludes that (1) the parties to the proceeding adequately represent the interest of the person seeking to intervene or (2) the issues that the person seeks to raise are irrelevant or immaterial. An intervenor has all the rights of a party to a proceeding, and in a proceeding, an intervenor may represent themselves.

Multi-year Rate Plans

The Next Generation Energy Act specifies that, unless otherwise authorized by law, PSC may approve the use of a multi-year rate plan for distribution base rates for a gas, electric, or combination gas and electric company only if the plan:

- demonstrates the customer benefits of the investment; and
- does not allow for the company to file for reconciliation of cost or revenue variances of the approved revenue component used by PSC to establish just and reasonable rates.

A gas, electric, or combination gas and electric company that files or has filed an application for a multi-year rate plan may not subsequently file for reconciliation of cost or revenue variances of the approved revenue component used by PSC to establish the multi-year rates unless the filing for reconciliation was made on or before January 1, 2025.

Alternative Forms of Regulation

Notwithstanding any other provision of law, and subject to the statutory provisions governing multi-year rate plans (as discussed above), PSC may regulate the regulated services of a public service company through an alternative form of regulation, provided that the commission finds, after notice and hearing, that the alternative form of regulation (1) protects consumers; (2) ensures the quality, availability, and reliability of regulated

electric services; and (3) is in the public interest. Alternative forms of regulation may include price regulation, revenue regulation, ranges of authorized return, rate of return, categories of services, or price indexing.

Use of Historic Test Years and Forecast Test Years

Historically, PSC has relied on a traditional ratemaking approach based on a prior 12-month period (a “historic test year”) to set rates for electric and gas utilities. In recent years, however, PSC has allowed utilities to file multi-year rate plans with terms of up to three years in base rate proceedings. A common approach in these proceedings is the use of a “forecast test year.” Under this method, rates are set in accordance with a utility’s projected costs and revenues for a future period – typically the first year after new rates take effect – rather than relying solely on historical data. The forecast test year incorporates the utility’s anticipated operating expenses, capital investments, and other financial assumptions. The projections in the forecast test year serve as the foundation for setting rates over the multi-year rate plan, often with mechanisms that adjust or update certain costs in subsequent years of the plan.

Limited-income Mechanisms under § 4-309 of the Public Utilities Article

Chapters 638 and 639 of 2021 authorized utility companies, after PSC approval, to adopt a limited-income mechanism to benefit eligible limited-income customers. A municipal electric company may also adopt a limited-income mechanism subject to PSC approval. The limited-income mechanism may take the form of a program, tariff provision, credit, rate, rider, or other means to assist an eligible limited-income customer to afford a utility service. “Utility company” means an electric company, a gas and electric company, or a gas company; the term does not include a small rural electric cooperative.

A utility company that proposes a limited-income mechanism for PSC approval must include specified information in the proposal, including a detailed description of the proposed mechanism and the rationale supporting the utility company’s proposal for a mechanism to benefit the eligible limited-income customers in the utility company’s service territory. A proposal must allocate the prudently incurred costs of the limited-income mechanism across rate classes.

In evaluating a limited-income mechanism, PSC must consider:

- the degree to which the mechanism promotes affordability of electricity or natural gas for limited-income customers;
- the public interest in allocating the costs of the mechanism between the utility company’s shareholders and rate payers;

- the impact on rates, utility operating costs, customer arrearages, customer disconnections, uncollectible costs, and successful completion of payment plans;
- the ability of a limited-income customer to continue to receive benefits when relocating within the same service territory;
- coordination of benefits under the mechanism with any other public or private assistance that may be available to the customer;
- a minimum level of support or assistance structure to provide equitable availability of limited-income assistance across the State; and
- any other information PSC considers appropriate.

If an approved limited-income mechanism requires OHEP to certify an eligible limited-income customer's qualifications to participate in a limited-income mechanism, OHEP must do so before the customer may participate in the mechanism. An eligible limited-income customer who participates in a mechanism under these provisions may also be eligible for other assistance programs in the State, including those offered by a utility, OHEP, DHCD, or any other public or private source.

Costs Excluded from Recovery through Rates

The Next Generation Energy Act prohibits an investor-owned electric, gas, or combination gas and electric company from recovering through rates any cost associated with:

- membership, dues, sponsorships, or contributions to an industry trade association, group, or related entity exempt under § 501(c)(6) of the Internal Revenue Code; or
- the acquisition, use, or allocation of costs associated with a private plane that is owned or leased by the company or its holding company.

Under PSC regulations, charitable contributions, penalties, and lobbying expenses are not allowed for rate-making purposes. Additionally, expenses classified as promotional, community affairs, or institutional must be excluded as an expense for rate-making purposes unless a utility demonstrates during a rate case proceeding that a particular item of advertising or promotional expenditure was directly beneficial to the ratepayer and in the public interest.

Regional Transmission Organization

PJM Interconnection, LLC (PJM) is the regional transmission organization (RTO) for all or parts of 13 states, including Maryland, plus the District of Columbia. According to PJM, its members include electricity distributors, transmission and generator owners, organizations that can sell electricity to end-users, marketing firms, and end-use customers. PJM members take part in PJM's stakeholder process, which provides a forum for those

who have a stake in the wholesale electric industry to discuss and work through issues related to PJM markets, operations, public policies, and current and future industry matters.

All four Maryland investor-owned utilities are affiliate members of PJM and all five Maryland municipal electric utilities are voting members of PJM.

Section 219 of the Federal Power Act (16 U.S.C. § 824s) required the Federal Energy Regulatory Commission (FERC) to establish, by rule, incentive-based (including performance-based) rate treatments for the transmission of electric energy in interstate commerce by public utilities for the purpose of benefiting consumers by ensuring reliability and reducing the cost of delivered power by reducing transmission congestion. Section 219 further required that the rule provide for incentives for each transmitting utility or electric utility that joins a transmission organization (including an RTO), with costs recoverable through transmission rates. FERC subsequently established these incentives, in 2006, through FERC Order Nos. 679 and 679-A. The incentive for joining an RTO and continuing membership is known as an “RTO adder” – a 0.5% upward adjustment of the utility’s base rates. In recent years, FERC has viewed the incentive of the RTO adder as not available to entities who are required to join an RTO by state law, and two federal appellate courts have agreed in recent court cases.

Notice under § 7-204 of the Public Utilities Article

Notwithstanding any other provision of Division I (Public Services and Utilities) of the Public Utilities Article, at least 30 days before a hearing, a public service company must provide to each owner of land and each owner of adjacent land, by certified mail, written notice of intent to run a line or similar transmission device over, on, or under the land.

Certificate of Public Convenience and Necessity

Under § 7-207 of the Public Utilities Article, unless a Certificate of Public Convenience and Necessity (CPCN) for the construction is first obtained from PSC, a person may not begin construction of an overhead transmission line that is designed to carry a voltage in excess of 69,000 volts or exercise a right of condemnation with the construction.

PSC may waive the requirement to obtain a CPCN for construction related to an existing overhead transmission line if the commission finds that the construction does not (1) require the person to obtain new real property or additional rights-of-way through eminent domain or (2) require larger or higher structures to accommodate increased voltage or larger conductors.

PSC must take final action on a CPCN application only after due consideration of the recommendations of the governing body of each county or municipality in which any

portion of the project is proposed to be located and the effect of the project on various aspects of the State infrastructure, economy, and environment.

For the construction of a new overhead transmission line specifically, PSC must also provide due consideration of (1) the need to meet existing and future demand for electric service and (2) the alternative routes that the applicant considered, including the estimated capital and operating costs of each alternative route and a statement of the reason why the alternative route was rejected. Additionally, PSC must require the applicant to (1) comply with specified agreements and obligations related to the ongoing operations and maintenance of the overhead transmission line and (2) identify whether the overhead transmission line is proposed to be constructed on an existing brownfields site, a property that is subject to an existing easement, or a site where a tower structure or components thereof exist and can be used to support an overhead transmission line.

Section 7-208 of the Public Utilities Article applies to any person (1) constructing a generating station and its associated overhead transmission lines; (2) exercising the right of condemnation in connection with the construction; or (3) constructing a qualified submerged renewable energy line, as defined. To obtain a CPCN for construction under these provisions, a person must file an application with PSC at least two years before the construction of the facility will commence (unless the two-year requirement is waived by PSC for good cause). Similar to the requirements set forth in § 7-207 of the Public Utilities Article, various notification and hearing requirements apply, and counties and municipalities have the authority to approve or deny any local permit required under a CPCN, as specified.

Pursuant to § 7-209 of the Public Utilities Article, as part of the CPCN process, PSC must examine alternatives to the construction of a new transmission line in a service area, including the use of an existing transmission line of another company, if the existing transmission line is convenient to the service area or the use of the transmission line will best promote economic and efficient service to the public.

For additional information on the CPCN process, see the **Appendix – Certificate of Public Convenience and Necessity**.

Prevailing Wage Requirements

Contractors and subcontractors working on eligible public works projects in Maryland, including mechanical service contractors that are part of public works projects, must pay their employees the prevailing wage rate. “Public works” are structures or works, including a bridge, building, ditch, road, alley, waterwork, or sewage disposal plant, that are constructed for public use or benefit or paid for entirely or in part by public money.

Eligible public works projects are:

- those carried out by the State;
- any public work for which at least 25% of the money used for construction is State money;
- specified projects in tax increment financing districts if the local governing body approves of the application of prevailing wages; and
- construction projects by investor-owned gas and/or electric companies involving any underground gas or electric infrastructure.

Generally, any public works contract valued at less than \$250,000 is not required to pay prevailing wages. However, the prevailing wage law was amended in 2022 to include mechanical service contracts valued at more than \$2,500. Mechanical service contracts are defined as contracts for (1) heating, ventilation, and air conditioning, including duct work; (2) refrigeration systems; (3) plumbing systems, as specified; (4) electrical systems, as specified; and (5) elevator systems, as specified.

Prevailing wages are wages paid to at least 50% of workers in a given locality who perform the same or similar work on projects that resemble the proposed public works project. If fewer than 50% of workers in a job category earn the same wage, the prevailing wage is the rate paid to at least 40% of those workers. If fewer than 40% receive the same wage rate, the prevailing wage is calculated using a weighted average of local pay rates. The State Commissioner of Labor and Industry is responsible for determining prevailing wages for each public works project and job category based on annual wage surveys, in which contractors and subcontractors working on both public works and private construction projects may participate.

Maryland Energy Storage Program

Chapter 570 of 2023 required PSC to establish the Maryland Energy Storage Program and establish targets for the cost-effective deployment of new energy storage devices in the State with a goal of achieving at least a cumulative total of 750 megawatts by the end of the 2027 PJM delivery year, 1,500 megawatts by the end of the 2030 PJM delivery year, and 3,000 megawatts by the end of the 2033 PJM delivery year. If a target cannot be met cost effectively, the target must be reduced to the maximum cost-effective amount for the relevant delivery year.

The program must include competitive procurement mechanisms to reach a minimum of 3,000 megawatts of energy storage, or the maximum cost-effective amount of energy storage that can be deployed, by the end of the 2033 PJM delivery year.

The program may include:

- a system of energy storage credits and market-based incentives designed to develop a robust energy storage market in the State and deploy energy storage devices in a cost-effective manner;
- a requirement that investor-owned electric companies install or contract for energy storage devices or contract for energy storage credits from an energy storage project under the (predecessor) Maryland Energy Storage Pilot Program;
- a requirement that program participants make reasonable efforts to apply for all applicable State and federal grants, rebates, tax credits, loan guarantees, and other similar benefits as the benefits become available; or
- any other mechanism or policy that PSC determines is appropriate to achieve the goal of a robust cost-effective energy storage system in the State.

EmPOWER Maryland Program

Program History: In 2008, the General Assembly passed the EmPOWER Maryland Energy Efficiency Act, which set target reductions of 15% in per capita electricity consumption and peak demand, respectively, by 2015 from a 2007 baseline. Legislation in 2017 extended the program through its 2018-2020 and 2021-2023 program cycles and established a new annual energy savings goal of 2.0% per year, based on each electric company's 2016 sales. CSNA further increased the goal to 2.25% per year in 2025 and 2026 and to 2.5% annually thereafter.

Chapter 539 of 2024 altered the EmPOWER Maryland Program by, among other things, explicitly requiring each electric company, each large gas company, and DHCD to develop and implement energy efficiency, conservation, demand response, and beneficial electrification programs to achieve specified GHG emissions reduction goals and targets, subject to review and PSC approval.

Program Requirements: Under the current program, PSC must encourage and promote the efficient use and conservation of energy in support of these goals and targets by requiring each electric company and gas company to establish any program or service that PSC determines to be appropriate and cost-effective. Additionally, PSC is required to adopt rate-making policies that, through a surcharge line item (the EmPOWER surcharge) on customer bills, provide:

- full cost recovery of reasonably incurred costs for the programs and services, including full recovery on a current basis by January 1, 2028;

- by December 31, 2032, the elimination of any unpaid costs and unamortized costs that (1) existed on December 31, 2024, or were incurred before January 1, 2028, and (2) were accrued for the purposes of achieving EmPOWER goals;
- compensation for any of these unpaid costs and unamortized costs at not more than each electric and gas company's average cost of outstanding debt; and
- reasonable financial performance incentives and penalties for investor-owned electric companies and gas companies, as appropriate.

Administration of Programs and Services: Programs and services under the EmPOWER Maryland Program are administered primarily by the State's electric and gas utilities, under the oversight of PSC. However, certain programs and services that provide assistance to low- and moderate-income (LMI) households are administered by DHCD.

As directed by PSC, each municipal electric or gas utility, each small gas company exempt from specified requirements, each small rural electric cooperative, and, if required in accordance with a determination process established by Chapter 539, each midsize electric cooperative must include energy efficiency and conservation, demand response, and beneficial electrification programs or services as part of their service to their customers. (This requirement distinguishes the State's large utilities from the smaller utilities for purposes of EmPOWER.)

As part of the EmPOWER Maryland Program, beginning January 1, 2025, and by January 1 every three years thereafter starting in 2027, DHCD must procure or provide to low-income individuals energy efficiency and conservation programs and services, demand response programs and services, and beneficial electrification programs and services that are on a trajectory to achieve GHG reductions of at least 0.9% of a 2016 baseline after 2027, determined as specified. The requirement applies to the 2025-2033 time period. The reductions count toward the overall GHG emissions reduction targets under the EmPOWER Maryland Program.

DHCD participates in the EmPOWER Maryland Program through two special fund programs: (1) the Low Income Energy Efficiency Program (LIEEP); and (2) the Multifamily Energy Efficiency and Housing Affordability (MEEHA) Program. LIEEP helps low-income households undertake energy conservation projects in their homes at no charge, while MEEHA promotes energy efficiency and affordability in the State's multifamily rental housing developments for LMI households. Approved program costs are recovered by electric companies on customer bills.

Net Energy Metering

In General: Provisions governing the State's net energy metering program include a General Assembly finding and declaration that a program to provide net energy metering

for eligible-customer generators is a means to encourage private investment in renewable energy resources, stimulate in-state economic growth, enhance continued diversification of the State's energy resource mix, and reduce costs of interconnection and administration.

“Net energy metering” means measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by an eligible customer-generator and fed back to the electric grid over the eligible customer-generator's billing period.

“Eligible customer-generator” means a customer that owns and operates, leases and operates, or contracts with a third party that owns and operates a biomass, micro combined heat and power, solar, fuel cell, wind, or closed conduit hydro-electric generating facility that:

- is located on the customer's premises or contiguous property;
- is interconnected and operated in parallel with an electric company's transmission and distribution facilities; and
- is intended primarily to offset all or part of the customer's own electricity requirements.

An electric company serving an eligible customer-generator must ensure that the meter installed for net energy metering is capable of measuring the flow of electricity in two directions.

Net Energy Metering Contract or Tariff and Statewide Capacity Limit: PSC must require electric utilities to develop a standard contract or tariff for net energy metering and make it available to eligible customer-generators on a first-come, first-served basis until the rated generating capacity owned and operated by eligible customer-generators in the State reaches 3,000 megawatts.

A net energy metering contract or tariff (1) must be identical in energy rates, rate structure, and monthly charges, to the contract or tariff that the customer would be assigned if the customer were not an eligible customer-generator and (2) may not include charges that would raise the eligible customer-generator's minimum monthly charge above that of customers of the rate class to which the eligible customer-generator would otherwise be assigned.

Effect on Billing and Net Excess Generation: If the electricity supplied by the grid exceeds the electricity generated by the eligible customer-generator during a month, the eligible customer-generator is billed for the net energy supplied. If the electricity generated by an eligible customer-generator exceeds the electricity supplied by the grid, the eligible customer-generator is billed only the customer charges for that month. The amount of net

excess generation supplied by the eligible customer-generator to the grid accrues and is applied to subsequent months when the eligible customer-generator's consumption may exceed their generation. The value of any remaining net excess generation is eventually paid to the eligible customer-generator at, or around, the end of April each year (unless an eligible customer-generator opts for specified alternatives) or when the account is closed.

The dollar value of the net excess generation is equal to the generation or commodity portion of the rate that the eligible customer-generator would have been charged by the electric company averaged over the previous 12-month period ending with the billing cycle that is complete immediately before the end of April, multiplied by the number of kilowatt-hours of net excess generation.

Ownership of and Title to Renewable Energy Attributes and Credits: An eligible customer-generator or the eligible customer-generator's assignee must own and have title to all renewable energy attributes or renewable energy credits associated with any electricity produced by its electric generating system.

Capacity Limit for Individual Systems: The generating capacity of an electric generating system used by an eligible customer-generator for net metering may not exceed 2 megawatts, with the exception of community solar energy generating systems and a net metered facility that is meter aggregated, both of which may not exceed 5 megawatts.

Meter-aggregated Systems: Under § 7-306.3 of the Public Utilities Article, an electric company must provide meter aggregation for an eligible customer-generator that submits a request and (1) uses electrical service for agriculture; (2) is a nonprofit organization; (3) is a municipal or county government, or an organization affiliated with the municipal or county government; (4) is a unit of State government; or (5) is a public senior higher education institution.

Community Solar Energy Generating Systems Program

Statute requires PSC to establish and maintain a Community Solar Energy Systems Program. Chapter 652 of 2023 established the program as a permanent program, following a prior pilot program.

The provisions governing the program include a General Assembly finding that it is in the public interest that the State enable the development and deployment of energy generation from community solar energy generating systems in order to:

- allow renters and low-income and moderate-income retail electric customers to own an interest in a community solar energy generating system;

- facilitate market entry for all potential subscribers while giving priority to subscribers who are the most sensitive to market barriers; and
- encourage developers to promote participation by renters and LMI retail electric customers.

“Community solar energy generating system” means a solar energy system that, among other things:

- is connected to the electric distribution system serving the State;
- is located in the same electric service territory as its subscribers;
- is attached to the electric meter of a subscriber or is a separate facility with its own meter;
- credits its generated electricity, or the value of its generated electricity, to the bills of the subscribers to that system through virtual net energy metering;
- has a generating capacity that does not exceed 5 megawatts; and
- with respect to a community solar energy generating system constructed under the Community Solar Energy Generating Systems Program, serves at least 40% of its kilowatt-hour output to LMI subscribers unless the system is wholly owned by subscribers to the solar energy system.

“LMI subscriber” means a subscriber that (1) is low-income; (2) is moderate-income; or (3) resides in a census tract that is an overburdened community and an underserved community.

“Subscriber” means a retail customer of an electric company that (1) holds a subscription to a community solar energy generating system and (2) has identified one or more individual meters or accounts to which the subscription must be attributed.

“Subscription” means the portion of the electricity generated by a community solar energy generating system that is credited to a subscriber.

“Subscriber organization” means (1) a person that owns or operates a community solar energy generating system or (2) the collective group of subscribers of a community solar energy generating system. A subscriber organization also may contract with a third party for the third party to finance, build, own, or operate a community solar energy generating system.

“Subscription coordinator” means a person that:

- markets community solar energy generating systems or otherwise provides services related to community solar energy generating systems under its own brand name;

- performs any administrative action to allocate subscriptions, connect subscribers with community solar energy generating systems, or enroll customers in the Community Solar Energy Generating Systems Program; or
- manages interactions between a subscriber organization and an electric company or electricity supplier relating to subscribers.

Under the program, a subscriber organization or subscription coordinator acting on behalf of a subscriber organization must (1) determine how to allocate subscriptions to subscribers and (2) notify an electric company and, if applicable, a relevant electricity supplier about the allocation of subscriptions in accordance with PSC regulations.

A subscriber must (1) receive credit for virtual net excess generation and (2) accrue virtual net excess generation in the same manner as an eligible customer-generator under net energy metering. “Virtual net excess generation” means the amount of electricity generated by a community solar energy generating system and attributed to a subscriber that would result in a negative kilowatt-hour reading at the end of the subscriber’s billing cycle if applied to the subscriber’s bill by the electric company as a reduction in metered kilowatt-hours.

A subscriber organization or subscription coordinator may elect for a subscriber or a community solar energy generating system represented by the subscriber organization or subscription coordinator to participate in consolidated billing. “Consolidated billing” means a payment mechanism that requires an electric company to, at the request of a subscriber organization or subscription coordinator (1) include the monthly subscription charge of a subscriber organization or subscription coordinator on the monthly bills rendered by the electric company for electric service and supply to subscribers and (2) remit payment for those charges to the subscriber organization or subscription coordinator.

An electric company must use energy generated from a community solar energy generating system to offset purchases from wholesale electricity suppliers for standard offer service.

Portable Solar Energy Generating Systems

Current law does not specifically address portable solar energy generating systems. However, State law establishes multiple incentives for solar energy generating systems of different types, sizes, and locations. For an overview of notable incentives, see the **Appendix – Incentives for Solar Energy Generating Systems**.

DRIVE Act of 2024

Electric Distribution System Support Services Program: The DRIVE Act of 2024 required PSC to develop a program for each investor-owned electric company to establish a pilot program or temporary tariff to compensate owners and aggregators of distributed energy resources for electric distribution system support services through an incentive mechanism determined by PSC. By July 1, 2025, each investor-owned electric company was required to submit a pilot program or temporary tariff to PSC for approval, subject to specified requirements for performance and compensation. PSC was required to approve, deny, or approve with amendments the pilot program or temporary tariff in an expedited manner.

If PSC finds the transition to be in the public interest, PSC may establish a process for an investor-owned electric company to transition a pilot program or temporary tariff to a permanent program or tariff for electric distribution system support services; pilot customers may be transitioned to the permanent program or tariff.

Incentives for Renewable On-site Generating Systems: Subject to specified requirements and considerations, PSC may approve or require an investor-owned electric company to offer upfront incentives or rebates to customers to acquire and install renewable on-site generating systems if the customer (1) enrolls in a pilot program or temporary tariff under the DRIVE Act and (2) allows the system to be used for electric distribution system support services for at least five years.

PSC may (1) authorize or require an investor-owned electric company to provide an additional incentive or rebate for LMI customers who apply for an incentive or rebate and (2) require an investor-owned electric company to prioritize the offer of incentives or rebates to LMI customers.

In determining whether to require an investor-owned electric company to offer an incentive or rebate under the Act, PSC must consider (1) the benefit of reducing the operation of peak generating facilities in overburdened and underserved communities; (2) the benefit of resiliency and service outage avoidance for customers with on-site generating systems; and (3) the potential for investor-owned electric companies to reduce expenses relating to electric distribution system infrastructure by leveraging customers' on-site generating systems.

PSC must consider establishing a limit on the amount of incentives or rebates issued in a manner that achieves deployment goals while mitigating potential customer impacts. When approving or requiring an incentive or rebate under the Act, PSC must consult with MEA to ensure that the incentive or rebate is designed to supplement, to the greatest extent possible, other available State and federal incentives for customer adoption of renewable on-site generating systems.

Cost Recovery: An investor-owned electric company may recover all reasonable costs incurred in (1) participating in and administering an electric distribution system support services program and (2) offering an upfront incentive or rebate under the DRIVE Act. To the extent feasible, those costs must be recovered by the investor-owned electric company within the calendar year in which they were incurred.

Notwithstanding any provision of the DRIVE Act, an investor-owned electric company may pursue and use a performance incentive mechanism to cover the cost of using distributed energy resources or an aggregator of distributed resources under the Act.

Relevant Definitions: “Electric distribution system support services” means the dispatch and control of a distributed energy resource to provide services that contribute to the efficient and reliable operation of the electric distribution system by an electric company or an aggregator acting at the direction of an electric company. It includes (1) local or system peak demand reduction; (2) demand response; (3) the avoidance or deferral of a transmission or distribution upgrade or capacity expansion; and (4) facilitating hosting capacity to accommodate additional distributed energy resources.

“Renewable on-site generating system” means an energy system located on a customer’s premises that:

- generates or stores electricity from a Tier 1 renewable source or a Tier 2 renewable source that does not release GHGs;
- is capable of providing electricity to (1) a home, business, or other structure serviced by an electric company and (2) the electric distribution system;
- is paired with an energy storage device that is configured to charge from the renewable source and the electric distribution system, unless, for the purpose of eligibility for net metering, the device is required to be charged only from the renewable source; and
- is interconnected and operates in parallel with an electric company’s transmission and distribution facilities.

Definition of Large Capacity Resource

“Large capacity energy resource” means a generating station or energy storage device that (1) by January 1, 2025, has applied to PJM for interconnection approval or has been approved by PJM for interconnection and (2) has a capacity rating equal to or greater than 20 megawatts after accounting for the effective load carrying capability.

The Next Generation Energy Act established a solicitation, evaluation, and approval process for a minimum of 3,109 megawatts of dispatchable energy generation and large

capacity energy resources in the State. Generally, PSC may approve up to 10 such projects, each eligible for an expedited CPCN through June 30, 2030. PSC may approve more than 10 projects if it has sufficient resources to complete that number of expedited CPCN application reviews and doing so is in the public interest. For a qualifying project, PSC must expedite all proceedings for CPCN review and approval and, except in limited circumstances, take final action within 295 days after the application is determined to be complete by the Power Plant Research Program (PPRP).

Nuclear Energy Procurement

The Next Generation Energy Act established a process, consisting of a minimum of three rounds of applications and related requirements, for PSC approval of one or more proposed nuclear energy generation projects funded through electric distribution rates. PSC is required to adopt regulations that:

- establish the nuclear energy long-term pricing purchase obligation sufficiently in advance to allow an electric company to reflect nuclear energy long-term pricing costs as a nonbypassable surcharge that is added to the electric company's base distribution rate on customer bills;
- define rules that facilitate and ensure the secure and transparent transfer of revenues and long-term pricing payments among parties;
- define the terms and procedures of the nuclear energy long-term pricing schedule obligations, as specified, by establishing a formula and process to adjust the value of the schedule every two years and a per-megawatt-hour cap;
- require PSC to establish an escrow account; and
- to meet the total statewide long-term pricing purchase obligation for all approved applications, require PSC to annually establish each electric company's zero-emission credit (ZEC) purchase obligation, based on specified electricity sales data and each electric company's proportional share of statewide electricity load.

A "ZEC" is defined as the difference between the price that a nuclear energy generating station with a long-term pricing schedule approved in a PSC order under the Act may receive on the wholesale market and the cost of constructing the nuclear energy generating station.

A debt, an obligation, or a liability of a nuclear energy generation project or of an owner or operator of a nuclear energy generation project may not be considered a debt, an obligation, or a liability of the State.

Pursuant to § 7-1217 of the Public Utilities Article, a PSC order approving a proposed nuclear energy generation project must (1) specify the long-term pricing schedule and its

duration, up to 30 years; (2) provide that a payment may not be made under a long-term pricing schedule until electricity supply is generated from the project; (3) provide that ratepayers and the State must be held harmless for any cost overruns associated with the system; and (4) require that any debt issued in connection with the project include language specifying that the debt instrument does not establish a debt, an obligation, or a liability of the State. An order approving a project vests the owner with the right to receive payments according to the terms in the order. The long-term pricing schedule must be based only on any new generation proposed in the application, including new generation at an existing nuclear energy generating station.

Transmission Energy Storage Devices

Pursuant to the Next Generation Energy Act, PSC must, by regulation or order, 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, the bill establishes 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. The Act specifies various requirements for the solicitation and selection. Generally, the energy storage devices must be operational within 24 months after selection.

PSC must include specifications in the procurement solicitation that require each proposal to (1) include a proposed pricing schedule, as specified; (2) include a cost-benefit analysis, as specified; (3) ensure that the owner or operator of the project can export the electricity for sale on the wholesale market and bid into the PJM capacity market; (4) ensure that the energy storage devices can deliver their effective nameplate capacity, as further specified; (5) incorporate a community benefit agreement; (6) attest to compliance with specified labor laws; and (7) ensure a competitive bidding process. The energy storage devices may be paired with Tier 1 or Tier 2 renewable sources.

Strategic Energy Planning Office

Generally: Chapters 7 and 19 of the 2025 special session established the Strategic Energy Planning Office (SEPO), subject to specified requirements. In order to carry out its statutory requirements, SEPO must collaborate with MEA, PSC, PPRP, MCEC, and MDE, and may, if necessary, hire private consultants. SEPO must also coordinate with PSC to

establish procedures and rules to obtain information from electric and gas companies necessary to accomplish its duties. SEPO is funded through assessments imposed on public service companies through an existing process administered by PSC.

Comprehensive Wholesale Energy Markets and Bulk Power System Risk Report: Every three years, SEPO must develop a Comprehensive Wholesale Energy Markets and Bulk Power System Risk Report to (1) assess wholesale energy market financial, resource adequacy, and reliability risks associated with serving the State's long-term energy needs and (2) identify any necessary cost-effective solutions that ensure electric system reliability while meeting the State's energy policy goals. The solutions identified in the risk report must seek to minimize the growth of the cost of electricity (or lower the cost of electricity) and minimize energy resource reliability risks. By September 1, 2028, and every three years thereafter, SEPO must submit the risk report to the Governor and the General Assembly. SEPO may submit any additional updates to the risk report at any time, provided that the updates must include specified information on relevant changes. SEPO must submit a status update on the development of the first risk report by September 1, 2027.

Stakeholder Process and (Separate) Report to Assess Mitigation Strategies: After the publication of the risk report or any update to the report, SEPO must conduct a stakeholder process to develop a report that assesses strategies to address the identified risks and recommendations in the risk report. When assessing strategies, there must be consideration of new or existing programs, leveraging technology enhancements, revised regulatory structures, State coordination of federal solutions, utilizing market mechanisms, and any other factors considered appropriate. By September 1, 2028, and every three years thereafter, SEPO must submit the resulting report to the Governor and the General Assembly.

Annual Evaluation of Policy Scenarios at the Request of General Assembly Committees: By November 1 each year, specified committees of the General Assembly may jointly request SEPO to assess up to five policy scenarios. No later than one year after the date SEPO receives such a request, the office must submit a report of the results of the requested policy scenarios to those committees.

Public Service Commission – Future Proceeding to Assess Risk Reports: By September 1, 2030, and at least once every three years thereafter, after receiving a request by SEPO, PSC, in consultation with the office, must conduct a public proceeding to assess the results and recommendations contained in the risk report and any updates to the report, subject to specified requirements. PSC must consider any feedback received through the public proceeding and determine whether any action under its jurisdiction is warranted.

Additional Studies and Reports: The Acts also established additional study and reporting requirements for PSC, the Maryland Department of Transportation (MDOT), and MEA, as follows:

- PSC must study the effectiveness of an independent distribution operator and, by December 31, 2026, report on the study to the General Assembly;
- MDOT must study methods for reducing transmission-constrained areas through the use of existing rights-of-way and, by December 31, 2026, must submit a report on the study to the General Assembly; and
- MEA must obtain existing power flow analyses for electric system reliability in the State that are related to currently known electric generation facility retirements. (If MEA is unable to do so, then MEA, with the support of PSC, must develop a power flow analysis for electric system reliability in the State that is related to currently known electric generation facility retirements.) By January 1, 2026, MEA must submit a report of the power flow analyses to the Governor and the General Assembly. By December 31, 2025, and again by December 31, 2026, MEA must provide an update to the General Assembly on the status of NREL’s analysis on resource adequacy conducted at the request of MEA. MEA must also submit a final report on the analysis to the General Assembly when it is received.

Multi-year State Procurement Contracts – Termination for Convenience Clause

In general, State procurement contracts are subject to annual appropriations, but multi-year State procurement contracts are permitted if specified requirements are met. However, if money sufficient for the continued performance of the contract is not appropriated for any fiscal year, the multi-year contract terminates automatically. A multi-year State contract must, therefore, include a clause allowing for the automatic termination of the contract in the event that funds are not appropriated to pay for the contract in a given year.

In addition, every State procurement contract must include, among other requirements, a clause covering termination wholly or partly by the State for its convenience if the head of the primary procurement unit determines that termination is appropriate.

Generally, the requirement to include the specified clauses in State procurement contracts may not be waived. However, on the recommendation of the Secretary of General Services, the Board of Public Works (BPW) may waive the requirement to include an automatic termination clause in a multi-year State contract to procure Tier 1 or Tier 2 renewable energy for the State. In determining whether to grant a waiver, BPW must consider the effects of its decision on the ability of the energy supplier to obtain financing for the renewable energy generation project.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program in MEA, and the implementing Strategic Energy Investment Fund (SEIF) (administered by MEA), to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF, among other revenue sources, receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI) and alternative compliance payment (ACP) revenues through the State's Renewable Energy Portfolio Standard (RPS). Additionally, SEIF will receive a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

RGGI proceeds must be used for the following purposes: (1) at least 50% for energy assistance programs in DHS; (2) at least 20% for energy efficiency and conservation (at least one-half of which must be used for LMI programs); (3) at least 20% for renewable and clean energy programs, energy-related education and outreach, and climate change and resiliency programs; and (4) up to 10% but no more than \$7.5 million for administrative expenses.

ACP revenues primarily must be used to support the creation of new renewable energy sources in the State that are owned by or directly benefit LMI, overburdened, or underserved communities. For fiscal 2026 only, up to \$100.0 million of ACP revenues may be used for solar development on State government property and local government clean energy projects. Additionally, through the end of fiscal 2027, at least 20% of ACP revenues resulting from solar energy requirements under the RPS must be used to provide grants to support the installation of new solar energy generating systems under the Customer-Sited Solar Program. Up to 10% of the solar ACP revenues are credited to an administrative expense account for costs related to the administration of SEIF. Finally, ACP revenues may be used to provide grants to electric companies to be refunded or credited to each residential distribution customer based on the customer's consumption of electricity supply that is subject to the RPS.

Renewable Energy Portfolio Standard

Maryland's RPS was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. The RPS establishes eligibility tiers (Tier 1 and Tier 2) and includes carve-outs for solar, offshore wind, and geothermal. The RPS requires that renewable sources generate specified percentages of Maryland's electricity supply each year. Utilities and other electricity suppliers must submit renewable energy credits (a tradable commodity equal to 1 megawatt-hour of electricity generated or obtained from a renewable energy generation resource) equal to these percentages in each year or else pay an ACP equivalent to the shortfall.

For 2026, the requirements are 38.0% from Tier 1 sources, including at least 8.0% from solar and 0.5% from post-2022 geothermal systems, plus 2.5% from Tier 2 sources. For more information on Maryland's RPS, including ACP revenues, see the **Appendix – Renewable Energy Portfolio Standard**.

Energy Storage System Grant Program

MEA administers the Energy Storage System Grant Program (referred to by MEA as the Residential and Commercial Energy Storage Grant Program), the purpose of which is to provide grants to individuals and business entities for a portion of the costs of purchasing and installing energy storage systems. A grant awarded under the program may not exceed the lesser of (1) \$5,000 (for residential property) or \$150,000 (for commercial property) or (2) 30% of the total installed costs of the energy storage system.

Residential Energy Equity Program

Although not established in statute, MEA also administers the Residential Energy Equity Program, which provides grants to nonprofit organizations and local governments to support energy efficiency and renewable energy projects that benefit Maryland residents with low to moderate incomes. Grants are awarded for energy efficiency and solar energy projects that generate significant reductions in residential energy usage and pass on the benefits to income-qualifying Maryland residents.

Power Plant Research Program

PPRP, within the Department of Natural Resources, is responsible for managing a consolidated review of all issues related to power generation in the State, with the goal of balancing need, cost, and impact.

Site-readiness Initiative Established by Executive Order

Executive Order 01.01.2025.27 (“Building an Affordable and Reliable Energy Future”) (December 2025) directs Executive Branch agencies to take immediate actions to stabilize utility bills, improve grid reliability and efficiency, provide recommendations to the General Assembly, and accelerate cost-effective energy deployment while maintaining affordability and reliability for the people and economy of Maryland. The executive order established an Energy Subcabinet to coordinate interagency policy and oversee implementation of the executive order.

Among other things, the executive order directs PPRP, in coordination with MEA, the Department of Commerce, MDE, and the Maryland Department of Planning, to establish a Site-Readiness Initiative. By November 1, 2027, the initiative must publish an inventory

of previously disturbed land parcels which are pre-vetted as potentially suitable for rapid energy deployment, giving priority to disturbed lands, including brownfields, closed mines, industrial zones, and parking canopies, to minimize impacts on agricultural or forested lands. For any priority sites identified, several specified agencies must conduct preliminary environmental and interconnection feasibility assessments, subject to the availability of funding.

Appendix – Certificate of Public Convenience and Necessity

General Overview

The Public Service Commission (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). The CPCN process is comprehensive and involves several other State agencies, including the Department of Natural Resources (and its Power Plant Research Program), and the Maryland Department of the Environment. Subject to limited exemptions described below, a person may not begin construction in the State of a generating station, qualified generator lead line, overhead transmission line designed to carry more than 69,000 volts, or certain energy storage devices unless a CPCN is first obtained from PSC.

State law provides that a “generating station” excludes:

- a facility used for electricity production with a capacity of up to 2 megawatts that is installed with equipment that prevents the flow of electricity to the electric grid during time periods when the grid is out of service;
- a combination of two or more co-located or adjacent facilities used for electricity production from solar photovoltaic systems or specified eligible customer-generators that have a maximum cumulative capacity of 14 megawatts, including maximum individual capacities of 2 megawatts (subject to satisfying other requirements); and
- a facility, or a combination of two or more facilities, used for electricity production for the purpose of onsite emergency backup for critical infrastructure when service from the electric company is interrupted and conducting necessary test and maintenance operations (subject to satisfying other requirements).

The CPCN process, detailed further below, involves the notification of specified stakeholders, the holding of public hearings, the consideration of recommendations by State and local government entities, and the consideration of the project’s effects on various aspects of the State infrastructure, economy, and environment.

In December 2020, PSC initiated a rulemaking (RM 72) to revise regulations governing CPCNs for generating stations. Updated regulations became effective in September 2021. Among other changes, the regulations contain additional information requirements – to assist in project evaluation – and allow for electronic submission and distribution of application materials.

Notification Process

Upon receipt of a CPCN application, PSC – or the CPCN applicant, if required by PSC – must immediately provide notice to specified recipients, including the executive and governing body of affected local governments, affected members of the General Assembly, and other interested persons. When providing the notice, PSC must also forward the CPCN application to each appropriate unit of State and local government for review, evaluation, and comment and to each member of the General Assembly who requests a copy.

Public Hearing and Comment

PSC must provide an opportunity for public comment and hold a public hearing on a CPCN application in each county and municipality in which any portion of the construction of a generating station, overhead transmission line, or qualified generator lead line is proposed to be located. PSC must hold the hearing jointly with the governing body of the county or municipality and must provide weekly notice during the four weeks prior to the hearing, both in a newspaper and online, and must further coordinate with each local government to identify additional hearing notification options. PSC must ensure presentation and recommendations from each interested State unit and must allow representatives of each State unit to sit during the hearing of all parties. PSC must then allow each State unit 15 days after the conclusion of the hearing to modify the unit's initial recommendations.

Public Service Commission Considerations

PSC must take final action on a CPCN application only after due consideration of (1) recommendations of the governing body of each county or municipality in which any portion of the project is proposed to be located; (2) various aspects of the State infrastructure, economy, and environment; and (3) the effect of climate change on the project. For example, PSC must consider the effect of the project on the stability and reliability of the electric system and, when applicable, air and water pollution. There are additional considerations specifically for a generating station or an overhead transmission line. For example, PSC must consider the impact of a generating station on the quantity of annual and long-term statewide greenhouse gas emissions and must consider alternative routes and related costs for the construction of a new overhead transmission line.

Exemptions Under § 7-207.1 of the Public Utilities Article

Section 7-207.1 of the Public Utilities Article specifies three conditions under which a person constructing a generating station may apply to PSC for an exemption from the CPCN requirement:

- the facility is designed to provide onsite generated electricity, the capacity is up to 70 megawatts, and the excess electricity can be sold only on the wholesale market pursuant to a specified agreement with the local electric company;
- at least 10% of the electricity generated is consumed onsite, the capacity is up to 25 megawatts, and the excess electricity is sold on the wholesale market pursuant to a specified agreement with the local electric company; or
- the facility is wind-powered and land-based, the capacity is up to 70 megawatts, and the facility is no closer than a PSC-determined distance from the Patuxent River Naval Air Station, among other requirements.

However, PSC must require a person who is exempted from the CPCN requirement to obtain approval from the commission before the person may construct a generating station as described above. The application must contain specified information that PSC requires, including proof of compliance with all applicable requirements of the independent system operator.

Exemptions Under § 7-207.4 of the Public Utilities Article

The Renewable Energy Certainty Act of 2025 (Chapters 623 and 624) establishes the Distributed Generation Certificate of Public Convenience and Necessity (DGCPCN), a certificate that PSC may issue – in lieu of a CPCN – to a person seeking to construct and operate community solar projects that have a generating capacity of 2 megawatts to 5 megawatts and meet other specified requirements. A DGCPCN carries the same force and effect as a CPCN while offering applicants a streamlined review process; however, until PSC begins accepting applications for DGCPCNs (likely in 2027), a CPCN will still be required to construct a community solar project.

As with the CPCN process, PSC must provide an opportunity for public comment and hold a public hearing on a DGCPCN application in each county where any portion of the project is proposed to be located.

Additional Information

For a more thorough discussion of the above topics, along with legislative history and recent data trends, see [*The Maryland Certificate of Public Convenience and Necessity*](#) on the Department of Legislative Services' website.

Appendix – Incentives for Solar Energy Generating Systems

State law establishes multiple incentives for solar energy generating systems of different types, sizes, and locations. The following is an overview of notable State incentives, which may be combined, depending on the specifics of a particular solar energy generating system.

Production Incentives

Net Metering

Under § 7-306 of the Public Utilities Article, the Public Service Commission (PSC) must require electric companies to develop and make net metering tariffs available to eligible customer-generators. Net metering is the measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by the customer and fed back to the grid over the customer's billing period. Under net metering, the customer pays only for energy used, netted against energy generated, plus the fixed monthly customer charge. In the event that more energy is generated than used, the electric company must pay the customer the value of the difference, subject to specified requirements. Generally, net excess generation payments are made annually, although certain customers may instead choose to accrue net excess generation indefinitely.

Generally, the generating capacity of an eligible customer-generator for net metering may be up to 2 megawatts, although there are exceptions allowing for larger capacities, including for community solar. Community solar systems are those that meet specified requirements, have multiple subscribers, and engage in virtual net metering.

There are multiple eligible energy sources for net metering, although most of the installed capacity is solar. The statewide capacity limit is 3,000 megawatts.

Renewable Energy Portfolio Standard

Under Title 7, Subtitle 7 of the Public Utilities Article, which establishes the State Renewable Energy Portfolio Standard (RPS), utilities and other competitive energy suppliers must submit renewable energy credits (RECs) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Generally, a REC is a tradable commodity equal to 1 megawatt-hour of electricity generated or obtained from a renewable energy generation source. In program compliance year 2026, RPS percentage requirements include 8.0% from solar, which must be connected to the electric distribution grid serving Maryland.

Under § 7-709.1 of the Public Utilities Article, PSC must establish a Small Solar Energy Generating System Incentive Program and begin determining eligibility by January 1, 2025. Under the program, a solar energy generating system that meets specified requirements and is certified by PSC generates certified solar RECs, which have an RPS compliance value of 150%, for 15 years. In addition to other requirements, an eligible system must be placed in service between July 1, 2024, and January 1, 2028, inclusive.

Grant and Loan Incentives

Under § 9-20B-05 of the State Government Article, the Maryland Energy Administration (MEA) must administer the Strategic Energy Investment Fund (SEIF). Among other revenue sources, SEIF receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI) and ACP revenues through the State RPS. RGGI-sourced funding is allocated through a statutory formula that provides significant annual funding for clean energy programs and initiatives, in addition to other purposes. In practice, MEA offers a variety of residential and commercial grants and rebates for different types of solar installations. Generally, solar ACP revenues must be used to support new solar development, although there are additional requirements in certain years.

Tax Incentives

Solar Energy Property Generally Not Subject to State or Local Real Property Tax

Under § 7-242 of the Tax-Property Article, solar energy property is generally not subject to State or local real property tax. “Solar energy property” means equipment that is installed to use solar energy or solar thermal electric energy to generate electricity to be used in a structure or supplied to the electric grid or provide hot water for use in a structure.

Specified Nonresidential Solar Systems Exempt from Valuation or State or Local Property Taxes

Under § 7-249 of the Tax-Property Article, specified nonresidential solar energy generating systems that are constructed on the rooftops of buildings or on parking facility canopies are not subject to valuation or to State or local property taxes. The exemption applies only to a system approved by PSC for a Certificate of Public Convenience and Necessity (CPCN) or CPCN exemption on or after July 1, 2024.

Community Solar Personal Property Tax Exemption

Under § 7-237 of the Tax-Property Article, a community solar energy generating system with up to 5 megawatts of capacity that meets specified requirements is exempt from the

county and municipal personal property tax through the life cycle of the system. To be eligible, a system must (1) be placed in service after June 30, 2022, and be approved by PSC by December 31, 2030; (2) provide at least 50% of the energy produced to low- to moderate-income customers at reduced prices, as specified; and (3) be used for agrivoltaics or be installed on a rooftop, brownfield, parking facility canopy, landfill, or clean fill.

Community Solar Real Property Tax Credit

Under § 9-111 of the Tax-Property Article, the State and local governments must grant a 50% property tax credit for a brownfield, landfill, or clean fill on which a specified community solar energy generating system is installed. To be eligible, a system must be placed in service after June 30, 2022, and have been approved by PSC by December 31, 2025.

Optional Local Property Tax Credit for Solar Energy Devices

Under § 9-203 of the Tax-Property Article, counties and municipalities are authorized to grant tax credits against county or municipal property taxes for the use of a solar energy, geothermal energy, or qualifying energy conservation device in a structure for the purposes of heating and cooling, electricity generation, or the provision of hot water. Local governments may establish related definitions in determining eligibility for the credit.

Optional Local Real Property Assessment Reduction for Certain Parking Canopies

Under § 7-250 of the Tax-Property Article, the governing body of a county or municipality may reduce or eliminate, by law, the percentage of the assessment of any real property that is subject to the county or municipal property tax if the real property includes a parking facility on which a solar energy generating system has been constructed on its canopy. These provisions apply only to real property that includes a parking facility on which a system has been approved by PSC for a CPCN or CPCN exemption on or after July 1, 2024. The provision terminates June 30, 2027.

Sales and Use Tax Exemptions

Under § 11-230 of the Tax-General Article, the sales and use tax does not apply to the sale of solar energy equipment, which is defined as equipment that uses solar energy to heat or cool a structure, generate electricity to be used in a structure or supplied to the electric grid, or provide hot water for use in a structure.

Under § 11-207 of the Tax-General Article, the sales and use tax does not apply to the sale of electricity generated by solar energy equipment for use in residential property owned by an eligible customer-generator under the State's net metering law.

Appendix – Renewable Energy Portfolio Standard

General Overview

Maryland’s Renewable Energy Portfolio Standard (RPS) was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. There are specified eligible (“Tier 1” or “Tier 2”) sources as well as carve-outs for solar, offshore wind, and geothermal. Electric companies (utilities) and other electricity suppliers must submit renewable energy credits (RECs) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Historically, RPS requirements have been met almost entirely through RECs, with negligible reliance on ACPs; however, as discussed further below, that has not been the case more recently. Generally, the Maryland Energy Administration must use ACPs for purposes related to renewable energy, as specified.

In 2026, the requirements are 38.0% from Tier 1 sources, including at least 8.0% from solar and 0.50% from post-2022 geothermal systems, plus 2.5% from Tier 2 sources.

Recent Significant Changes to Overall Percentage Requirements

- Chapter 757 of 2019 significantly increased the percentage requirements, which now escalate over time to a minimum of 50% from Tier 1 sources, including 14.5% from solar, by 2030.
- Chapter 673 of 2021 reduced the amount of solar energy required under the RPS each year from 2022 through 2029, while leaving the nonsolar requirement generally unchanged, before realigning with the previous requirements beginning in 2030. The Act also extended Tier 2 in perpetuity at 2.5%.
- Chapter 164 of 2021 created a carve-out for post-2022 geothermal systems in Tier 1 beginning in 2023.

Limited Applicability to Municipal Electric Utilities and Electric Cooperatives

As RPS percentage requirements have grown over time, legislation has been enacted to limit the effect on municipal electric utilities and electric cooperatives. Tier 1 percentage requirements for municipal electric utilities are limited to 20.4% in total beginning in 2021, including at least 1.95% from solar energy and up to 2.5% from offshore wind. Municipal electric utilities are also exempt from Tier 2 after 2021. Electric cooperatives are exempt from future increases to the solar carve-out beyond 2.5%, and the RPS does not apply to Choptank Electric Cooperative.

Renewable Energy Credits

Generally, a REC is a tradable commodity equal to one megawatt-hour of electricity generated or obtained from a renewable energy generation resource. In other words, a REC represents the “generation attributes” of renewable energy – the lack of carbon emissions, its renewable nature, etc. A REC has a five-year life during which it may be transferred, sold, or redeemed. REC generators and electricity suppliers are allowed to trade RECs using a Public Service Commission (PSC) approved system known as the Generation Attributes Tracking System, a trading platform designed and operated by PJM Environmental Information Services, Inc., that tracks the ownership and trading of RECs.

Eligible Sources

Tier 1 sources include wind (onshore and offshore); solar (photovoltaic and certain water-heating systems); qualifying biomass; methane from anaerobic decomposition of organic materials in a landfill or wastewater treatment plant; geothermal; ocean, including energy from waves, tides, currents, and thermal differences; a fuel cell that produces electricity from specified sources; a small hydroelectric plant of less than 30 megawatts; poultry litter-to-energy; thermal energy from a thermal biomass system; and raw or treated wastewater used as a heat source or sink for heating or cooling. Tier 2 includes only large hydroelectric power plants.

Chapter 673 excluded black liquor, or any product derived from black liquor, from Tier 1 beginning in 2022, although some black liquor RECs remain eligible through the duration of certain contracts. Chapters 625 and 626 of 2025 removed waste-to-energy and refuse-derived fuel from RPS eligibility. The exclusion generally applies to all RPS compliance years starting on or after January 1, 2025, except for a facility owned by a public instrumentality of the State (*i.e.*, Montgomery County), which applies beginning July 1, 2026.

Trends in Compliance Costs, Renewable Energy Credit Prices, and Resources Used

Compliance costs for electricity suppliers totaled \$616.9 million in 2024: \$254.7 million for 7.0 million RECs and \$362.3 million in ACPs. This continues a multi-year trend of increasing overall compliance costs, reliance on ACPs, and REC prices. Of note, 2024 continues the trend of 2023 that ACPs have been used in a significant way for general Tier 1 compliance. In fact, 2024 had the fewest RECs retired since 2014. ACP prices were in many instances less expensive than REC prices and, as a result, suppliers chose to pay the ACP rather than retire RECs. Compliance costs and REC prices for the most recent five-year period are shown in **Exhibit 1**.

Exhibit 1
RPS Compliance Costs and REC Prices
2020-2024

Compliance Costs (\$ Millions)	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
RECs					
Tier 1	\$99.8	\$187.3	\$246.5	\$124.9	\$90.1
Tier 1 Solar	122.9	144.4	101.4	109.6	150.4
Tier 1 Geothermal	n/a	n/a	n/a	0.1	2.2
Tier 2	<u>0.4</u>	<u>1.0</u>	<u>4.4</u>	<u>9.3</u>	<u>12.0</u>
<i>RECs Subtotal</i>	<i>\$223.1</i>	<i>\$332.7</i>	<i>\$352.3</i>	<i>\$243.8</i>	<i>\$254.7</i>
ACPs					
Tier 1	\$0.0	\$0.2	\$0.7	\$262.4	\$319.4
Tier 1 Solar	0.0	76.9	85.9	56.0	37.2
Tier 1 Geothermal	n/a	n/a	n/a	1.6	4.4
Tier 2	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.4</u>	<u>1.3</u>
<i>ACPs Subtotal</i>	<i>\$0.1</i>	<i>\$77.1</i>	<i>\$86.6</i>	<i>\$320.4</i>	<i>\$362.3</i>
Total	\$223.2	\$409.8	\$438.9	\$564.2	\$616.9
Average REC Price (\$)					
Tier 1	\$8.24	\$14.36	\$17.80	\$24.61	\$27.09
Tier 1 Solar	\$66.10	\$72.59	\$57.80	\$56.67	\$58.56
Tier 1 Geothermal	n/a	n/a	n/a	\$94.47	\$94.04
Tier 2	\$1.06	\$6.45	\$7.42	\$10.50	\$11.16

ACP: alternative compliance payment
n/a: not applicable
REC: renewable energy credit
RPS: Renewable Energy Portfolio Standard

Note: Numbers may not sum to total due to rounding. The post-2022 geothermal system carve-out became effective in 2023.

Source: Public Service Commission

Approximately 45% of RECs used for compliance in 2024 came from in-state resources, up from 35% in 2023. RECs derived from three fuel types, solar (43.4%), black liquor (16.2%), and wind (15.1%), were the predominant sources of Tier 1 compliance in 2024. Maryland facilities generated approximately 5.7 million RECs in 2024: 1.5 million Tier 1

nonsolar RECs, 2.4 million Tier 1 SRECs, and 1.8 million Tier 2 RECs. Many RECs can be used for compliance in both Maryland and other surrounding states, although there are geographic and energy source restrictions.

Related Studies and Reports

PSC must submit an RPS compliance report to the General Assembly each year. The most recent report, which contains historical data through 2024, can be found [here](#).

The Power Plant Research Program (PPRP) in the Department of Natural Resources has frequently been required to conduct RPS studies. PPRP submitted a final report on a comprehensive RPS study in December 2019, which can be found [here](#). PPRP also submitted a related required study on nuclear energy at that time, which can be found [here](#). PPRP's supplemental study on the overall costs and benefits of increasing the RPS to a goal of 100% by 2040 can be found [here](#).

The Department of Legislative Services also issued an RPS report in 2025, which can be found [here](#). The report contains additional detail on the program, significant statutory changes, and visualizations of planned and actual RPS percentage requirements over time.