

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 897 (The Speaker, *et al.*) (By Request - Administration)
 Environment and Transportation

Electricity Transmission and Distribution, Energy Storage, and Maryland
 Strategic Energy Investment Fund (Lower Bills and Local Power Act of 2026)

This Administration bill establishes several provisions in State law relating to (1) providing residential ratepayer relief – funded by an authorized transfer of up to \$100.0 million from the Strategic Energy Investment Fund (SEIF); (2) electricity transmission and distribution (including advanced transmission technologies); (3) providing funding for clean energy projects affected by the loss of federal tax incentives; and (4) siting of transmission or distribution lines and battery energy storage systems in rights-of-way or on other property controlled by the Maryland Department of Transportation (MDOT) (funded by an authorized transfer of up to \$10.0 million from SEIF). **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: State expenditures and revenues are affected, as summarized in the table below, and discussed and shown in more detail in the Analysis section (including indeterminate special fund revenues in FY 2028 through 2031 not fully reflected in the table below). The FY 2027 budget as introduced includes \$210.0 million in special funds contingent upon the enactment of legislation expanding the uses of SEIF, which this bill effectuates.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
SF Expenditure	\$210.9	\$0.9	\$0.9	\$0.9	\$0.9
GF/SF Exp.	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Net Effect	(\$210.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local governments, including municipal electric utilities, are affected, as discussed below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

Analysis

Bill Summary: Broadly, the bill:

- requires a portion of alternative compliance payments (ACPs) paid into SEIF to be used to provide refunds or credits to residential distribution customers for electric service in fiscal 2027 and authorizes the Governor to transfer up to \$100.0 million from SEIF to the Public Service Commission (PSC) for that purpose;
- establishes provisions focusing on advanced transmission technologies (1) requiring that at least one advanced transmission technologies alternative proposal be included with a Certificate of Public Convenience and Necessity (CPCN) application for the construction of a transmission line; (2) requiring transmission utilities to periodically evaluate potential use of and investment in advanced transmission technologies; and (3) authorizing PSC to develop performance-based incentives for deployment and operation of advanced transmission technologies;
- requires expedited CPCN review for construction on an existing transmission or distribution line to (1) replace the conductor, wire, or associated line structures or (2) install advanced transmission technologies;
- establishes the Solar and Energy Storage Market Stabilization Program in the Maryland Energy Administration (MEA) to provide loans or grants to clean energy projects affected by the loss of federal tax incentives;
- requires the development of processes (including a leasing framework, safety guidelines, and an expedited approval process), and study of suitable locations (funded by an authorized transfer of up to \$10.0 million from SEIF), to site transmission or distribution lines and battery energy storage systems within existing rights-of-way or on other MDOT-controlled property; and
- requires an electric company that owns or operates a high-voltage transmission line in the State to participate as a member in a regional transmission organization (RTO).

Refunds or Credits to Residential Distribution Customers

Notwithstanding any other provision of law, a portion of ACPs paid into SEIF must be used to provide grant awards to electric companies (including electric cooperatives and municipal electric utilities) to be refunded or credited to residential distribution customers for electric service in fiscal 2027. The bill authorizes the Governor to transfer by budget

amendment up to \$100.0 million to PSC to be awarded to electric companies for this purpose.

The funds must be distributed in accordance with § 9-20B-05(i)(4) of the State Government Article (which is discussed below under Current Law) and refunded or credited to residential distribution customers one time before a peak summer month and no later than October 31, 2026.

Advanced Transmission Technologies

Definitions

“Advanced transmission technology” means grid-enhancing technologies and high-performance conductors.

“Grid-enhancing technology” means hardware or software that increases the capacity, efficiency, or reliability of existing distribution or transmission lines, including dynamic line ratings, advanced power flow control, and topology optimization, as defined:

- “dynamic line rating” – a system that uses real-time or forecast weather and operating conditions (including wind speed and direction) to determine the maximum capacity of a transmission line;
- “advanced power flow control” – technologies that modulate circuit impedance or other electrical properties to reroute power flows to transmission lines with available capacity; and
- “topology optimization” – software that identifies switching configurations to reroute electricity and alleviate transmission constraints.

“High performance conductors” means conductors (including carbon fiber or composite core conductors and semiconductors) that, compared to traditional aluminum-conductor steel-reinforced conductors, (1) have a similar diameter and weight and (2) have a direct current electrical resistance that is at least 10% less, increase the potential energy carrying capacity by at least 75%, or have a coefficient of thermal expansion that is at least 30% less.

“Transmission utility” means as an owner or operator of a transmission line that is designed to carry voltage in excess of 69,000 volts and is located in the State.

Application Requirements for a Certificate of Public Convenience and Necessity

A person applying for a CPCN for the construction of a transmission line must include with the application (1) at least one alternative proposal that uses advanced transmission technologies, in whole or in part, to address the same need more efficiently or

cost-effectively than the primary proposed project and (2) as directed by PSC, a detailed, written explanation comparing the cost-effectiveness, technical feasibility, and system benefits of each alternative proposal compared with those of the primary proposed project.

Advanced Transmission Technology Implementation Reports

By July 1, 2027, and July 1 every three years thereafter, each transmission utility must submit to PSC an advanced transmission technology implementation report, prepared by a third party selected by PSC. The report must evaluate the potential use of and investment in advanced transmission technologies by the transmission utility over the next five years and assess how the technologies could be deployed at one or more of the transmission utility's transmission lines in the State to enhance the safety, reliability, efficiency, or cost-effectiveness of the distribution or transmission system. Among other things, the report must also (1) explain how the deployment of advanced transmission technologies would achieve specified benefits and (2) identify alternatives considered but not selected and the reasons they were not selected.

Performance-Based Incentives

PSC may develop performance-based incentives for the deployment and operation of advanced transmission technologies, including earnings adjustment mechanisms, accelerated cost recovery, and shared savings mechanisms.

Expedited Review of Certificate of Public Convenience and Necessity Applications

PSC must issue an order approving or denying a CPCN within 180 days after receipt of a complete application for construction to (1) replace the conductor, wire, or associated line structures of an existing transmission or distribution line or (2) install advanced transmission technologies to expand or enhance an existing transmission or distribution line.

The bill indicates that this requirement does not apply in circumstances in which the requirement to obtain a CPCN – for specified construction related to an existing high-voltage overhead transmission line – is waived (under § 7-207(b)(4) of the Public Utilities Article). (The bill provides for this exception to be repealed upon the termination of provisions in Chapters 625 and 626 of 2026 – which terminate June 30, 2030, – but this appears unintended.)

Solar and Energy Storage Market Stabilization Program

Overview

The bill establishes a Solar and Energy Storage Market Stabilization Program in MEA to provide financial assistance in the form of low- and zero-interest loans or grants to stabilize and backfill investment gaps for clean energy projects that face financial uncertainty as the result of the loss of federal tax incentives.

MEA must (1) collaborate with appropriate units of State government in the development of project evaluation criteria; (2) issue a request for information and conduct other outreach as needed to assist in program design; (3) establish a process for projects to apply for funding; and (4) establish terms and conditions for program loans and grants. By December 1, 2026, MEA must publish the program criteria on its website and invite applications for the program.

The program must operate as a performance-based incentive determined through a closed bid system, under which projects bidding the lowest dollar per megawatt of capacity receive loans or grants. The program must also prioritize projects that are (1) the most prepared to begin construction (shovel-ready projects) and (2) expected to be interconnected and operational within three years after the application is received. MEA may give preference to projects that incorporate energy storage technologies and may segment the program to incentivize various market subsets of solar development, including (1) community solar projects; (2) utility scale projects (as defined by MEA); and (3) brownfield projects and parking canopies.

Program Funding

The bill requires that MEA use SEIF to pay costs associated with the Solar and Energy Storage Market Stabilization Program. Program loans and grants must be funded through funds transferred to the program from SEIF and any other money made available to MEA for the program. For fiscal 2027 through 2031, the bill authorizes MEA to use ACPs deposited into SEIF for grants or loans to support the creation of new Tier 1 renewable sources in the State.

Siting Electric Infrastructure within Rights-of-way or Other Property Controlled by the Maryland Department of Transportation

Development of Processes, Including Expedited Approval Process

The Secretary of Transportation must develop processes, including a model leasing framework and safety guidelines, for electric transmission or distribution lines and battery

energy storage systems to be located within existing rights-of-way along State and interstate highways or on other MDOT-controlled property. Additionally, the Secretary must develop an expedited approval process for the siting of electric transmission and distribution lines and battery energy storage systems within existing rights-of-way or on other MDOT-controlled property.

Study to Determine Rights-of-way Suitable for Electric Infrastructure Siting

MDOT, in consultation with MEA, the Department of Natural Resources (DNR), the Power Plant Research Program (PPRP), and the Department of Commerce, must conduct a study to determine which existing rights-of-way may be appropriate for the siting of electric transmission or distribution lines and battery energy storage systems. The bill authorizes the Governor to transfer by budget amendment up to \$10.0 million from SEIF to fund the study.

Project Approval

The Secretary may approve or disapprove projects submitted for approval to be located within existing rights-of-way or on other MDOT-controlled property, and MDOT must adopt regulations to implement these provisions by December 1, 2027.

A project approved by the Secretary is subject to the following conditions:

- the project must comply with federal law;
- the owner of the electric transmission or distribution line or battery energy storage system being installed must pay (1) the fair market value for the use and occupancy of the right-of-way and (2) all administrative costs and other applicable fees, to the State;
- for the installation of electric transmission or distribution lines, the owner is responsible for all installation and maintenance costs and must relocate the lines, at the owner's expense and in an expedited manner, if relocation is needed for any public purpose; and
- any other conditions specified by the Secretary or in the regulations adopted by MDOT.

Mandatory Participation in a Regional Transmission Organization

An electric company 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 must participate as a member in an RTO.

Current Law:

Authorization for Refund or Credit for Residential Distribution Customers

The Next Generation Energy Act of 2025 (Chapters 625 and 626) enacted – within codified statutory provisions that govern the use of funding paid into SEIF – language that authorizes the use of ACP revenues in SEIF 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 State’s Renewable Energy Portfolio Standard (RPS). (See § 9-20B-05(i)(4) of the State Government Article.) The refunding or crediting of amounts to residential distribution customers must be identified on the customer’s bill as a line item identified as a “legislative energy relief refund.” An electric company awarded a grant (1) may not retain any of the grant funds to cover overhead expenses and (2) must provide all of the grant funds to residential distribution customers. The process related to the refunding or crediting of amounts to residential distribution customers must be directed and overseen by PSC.

Required Refund or Credit in Fiscal 2026

Chapters 625 and 626 also – separately, in uncodified language – *required* that ACP revenues in SEIF be used to provide grant awards to electric companies, including electric cooperatives and municipal electric utilities, to be refunded or credited to residential distribution customers for electric service in fiscal 2026. The funds were required to be distributed (1) in accordance with the codified provisions of Chapters 625 and 626 authorizing similar refunds or credits (described above) and (2) twice during fiscal 2026 (with half refunded or credited during a peak summer month and half refunded or credited during a peak winter month).

The fiscal 2026 budget bill (Chapter 602 of 2025) correspondingly – and contingent on enactment of Senate Bill 937 or House Bill 1035 (both enacted, as Chapters 625 and 626) – authorized the Governor to transfer by budget amendment up to \$200.0 million from ACP revenues in SEIF to PSC to be awarded to electric companies, including electric cooperatives and municipal electric utilities, to be refunded or credited to residential distribution customers for electric service in fiscal 2026.

Strategic Energy Investment Fund

SEIF’s primary sources of revenue are the ACP revenues generated under Maryland’s RPS and proceeds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas initiative. Under the RPS, electric companies (utilities) and other electricity suppliers must submit renewable energy credits equal to a percentage of their retail electricity sales specified in statute each year or else pay an ACP equivalent to their

shortfall. The ACP revenues paid into SEIF are used for (1) several efforts that fund renewable and clean energy deployment; (2) administrative expenses of MEA, which administers SEIF; and (3) the refunds or credits to residential distribution customers authorized under Chapters 625 and 626.

Public Service Commission

PSC must supervise and regulate public service companies, which includes electric companies, subject to its jurisdiction to (1) ensure their operation in the interest of the public and (2) promote adequate, economical, and efficient delivery of utility services in the State without unjust discrimination. In doing so, PSC must consider the public safety, the economy of the State, the maintenance of fair and stable labor standards for affected workers, the conservation of natural resources, the preservation of environmental quality, the achievement of the State's climate commitments for reducing greenhouse gas emissions, and the protection of a public service company's infrastructure against cybersecurity threats. PSC must also enforce compliance with legal requirements by public service companies.

Certificate of Public Convenience and Necessity – Overhead Transmission Line

Under § 7-207 of the Public Utilities Article, unless a 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.

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**.

Solar Generation and Energy Storage

Chapters 623 and 624 of 2025 and Chapters 625 and 626 of 2025 contained several provisions seeking to increase solar generation and energy storage in the State, including:

- establishing processes to achieve specified levels of front-of-the-meter distribution-connected and transmission energy storage devices;
- establishing a streamlined CPCN process for community solar energy generating systems (“distributed solar energy generating systems”); and
- establishing a solicitation, evaluation, and approval process, and expedited CPCN process, for the construction or expansion of dispatchable energy generation and large capacity energy resources (including energy storage).

Chapter 570 of 2023 requires 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 Interconnection, LLC (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.

For a general overview of other notable State incentives for solar, see the **Appendix – Incentives for Solar Energy Generating Systems**.

Background:

Relevant Provisions in the Fiscal 2027 Budget as Introduced and the Budget Reconciliation and Financing Act of 2026

Coinciding with the two authorizations in the bill for the Governor to transfer funding from SEIF – up to \$100.0 million to PSC for refunds or credits for residential distribution customers and up to \$10.0 million for the MDOT siting study – the fiscal 2027 budget as introduced includes \$100.0 million in special funds for PSC and \$10.0 million in special funds for MDOT (under the State Highway Administration) contingent upon the enactment of legislation expanding the uses of SEIF. The fiscal 2027 budget as introduced also includes \$100.0 million in special funds for MEA contingent upon the enactment of legislation expanding the allowable uses of SEIF.

The Budget Reconciliation and Financing Act (BRFA) of 2026 (Senate Bill 284/House Bill 392) as introduced contains authorizations to use ACP revenues from SEIF, for fiscal 2027 only, that include the following:

- \$70.0 million to MEA to provide gap financing for at-risk, large-scale clean energy projects;
- \$10.0 million to PSC to conduct research into grid-enhancing technologies and advanced transmission technologies;
- \$5.0 million to PSC for grants to utility companies to construct or modify transmission facilities that incorporate grid-enhancing and advanced transmission technologies; and
- \$10.0 million to MDOT to establish a process, establish a model leasing framework, and create safety guidelines for rights-of-way for transmission infrastructure.

Refund or Credit to Residential Distribution Customers

Pursuant to Chapters 625 and 626 and the fiscal 2026 budget bill (Chapter 602), \$200.0 million has been (or is being) refunded or credited to customers in two rounds, in calendar 2025 and 2026, respectively.

Executive Order 01.01.2025.27

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. Of particular relevance to the bill, the executive order includes:

- a requirement that MEA petition PSC, proposing (1) that transmission owners be required to demonstrate how advanced transmission technologies were evaluated in the planning and siting of new or upgraded transmission facilities and justify not deploying advanced transmission technologies; (2) using a “shared savings” incentive mechanism where utilities and ratepayers share the financial benefits of increased capacity and congestion relief provided by advanced transmission technologies; and (3) requiring transmission utilities to evaluate and report on the potential use of and investment in advanced transmission technologies;
- establishment of a workgroup to identify priorities and make recommendations regarding (1) transmission needs and how advanced transmission technologies can cost-effectively relieve transmission congestion and (2) State-owned rights-of-way suitable for high-voltage transmission and co-located energy infrastructure, including battery energy storage where appropriate and permitted by federal law; and
- a requirement that MDOT conduct a specified study for establishing siting of high-voltage transmission and co-located energy infrastructure along State highways and other agency-owned properties suitable for development.

Loss of Federal Tax Credits

MEA indicates that the loss of the federal Investment Tax Credit (ITC) through the One Big Beautiful Bill Act (OBBBA) has significantly increased the cost of developing renewable energy and specifically solar generation, creating a need for a replacement incentive or source of funding.

OBBBA terminates the Section 45Y Production Tax Credit and the Section 48E ITC for wind and solar facilities that are placed in service after December 31, 2027, with an exception for facilities that begin construction on or before July 4, 2026.

Regional Transmission Organizations

Generally

PJM is the 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, as is the Southern Maryland Electric Cooperative.

Federal Energy Regulatory Commission – “RTO Adder”

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 utilities who are required to join an RTO by state law, and two federal appellate courts have agreed in recent court cases.

State Fiscal Effect: Significant fiscal effects of the bill are summarized in **Exhibit 1** and discussed further below. Operational effects on any agencies not discussed below are assumed to be generally minimal and absorbable within existing budgeted resources, although there may be minor or incidental costs not captured. The effect on State expenditures for electricity is discussed in the Additional Comments section below.

Several provisions in the bill are similar to provisions in Executive Order 01.01.2025.27 and/or provisions in the BRFA of 2026 as introduced (the overlap with provisions in the BRFA of 2026 as introduced is discussed in relevant parts of the analysis below). A relatively significant portion of these fiscal effects may, therefore, occur in the absence of the bill pursuant to the executive order and/or the Governor’s budget plan (reflected in the fiscal 2027 budget as introduced and the BRFA of 2026 as introduced). This analysis nonetheless accounts for those fiscal effects – as effects of this bill – since enactment of the bill’s provisions into State law equally results in those effects. Also, the bill triggers contingent language associated with \$210.0 million in special fund appropriations in the fiscal 2027 budget as introduced.

Exhibit 1
Estimated State Fiscal Effect of the Bill
(\$ in Millions)

Agency	Description	Type	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
PSC	Personnel and Consultant Costs	SF (PSC) Exp	\$0.90	\$0.87	\$0.89	\$0.91	\$0.94
		SF (PSC) Rev	0.90	0.87	0.89	0.91	0.94
		SF Pos's (New)	3.0				
	Residential Refund/Credit	SF (SEIF) Exp	100.00				
DNR (PPRP)	Personnel Costs	GF/SF (ETF/SEIF) Exp	0.08	0.07	0.07	0.07	0.08
		GF/SF Pos's (New)	0.5				
MEA	Solar and Energy Storage Market Stabilization Program	SF (SEIF) Exp	100.00				
MDOT	Study, Develop, and Implement Siting/Lease Process	SF (SEIF) Exp	10.0				
		Lease (and any cost recovery or fee) revenue			-	-	-
State Net Effect			(\$210.1)	-/(-)	-/(-)	-/(-)	-/(-)
Total Pos's			3.5				

-: indeterminate increase

(-): indeterminate decrease

DNR: Department of Natural Resources

ETF: Environmental Trust Fund

Exp: Expenditures

MDOT: Maryland Department of Transportation

MEA: Maryland Energy Administration

PPRP: Power Plant Research Program

Pos's: Positions

PSC: Public Service Commission

Rev: Revenues

SEIF: Strategic Energy Investment Fund

TTF: Transportation Trust Fund

Sources: Public Service Commission; Department of Natural Resources; Maryland Energy Administration; Maryland Department of Transportation; Department of Legislative Services

Public Service Commission

Administrative Costs

The bill creates significant new and incremental requirements for PSC that cannot be absorbed within existing resources. Specifically, PSC must (1) review triennial advance transmission technologies implementation reports submitted by transmission utilities; (2) evaluate additional information that proposed transmission line projects must submit as a part of their CPCN applications; and (3) implement expedited CPCN reviews for specified projects. PSC must also coordinate and oversee the distribution of refunds or credits to residential distribution customers and expects to contribute to efforts under the Solar and Energy Storage Market Stabilization Program and siting of electric infrastructure on MDOT-controlled property.

PSC advises that it requires three staff members to implement the various requirements, plus ongoing consultant technical assistance of approximately \$500,000 annually through at least fiscal 2031. Consultant costs should be considered an approximate annual average and may vary depending on PSC needs in a particular fiscal year. For example, in years when the triennial advanced transmission technologies implementation reports are due, consultant costs may be higher. PSC further advises that the bill does not specify whether the commission or an electric company is responsible for paying the third-party consultant who prepares the advanced transmission technologies implementation reports. For purposes of this analysis, it is assumed that the electric companies are responsible for paying such consultant costs. However, if PSC must procure and pay the consultant costs, PSC’s expenditures increase further.

Accordingly, special fund administrative expenditures for PSC increase by \$901,555 in fiscal 2027, which accounts for the bill’s July 1, 2026, effective date. This estimate reflects the cost of hiring one engineer, one attorney, and one public utility law judge to implement the bill’s various requirements. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and \$500,000 in consultant costs.

Positions	3.0
Salaries and Fringe Benefits	\$372,050
Consultant Costs	500,000
Other Operating Expenses	<u>29,505</u>
Total FY 2027 PSC Administrative Expenditures	\$901,555

Future year administrative expenditures reflect salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and ongoing consultant costs. Generally, PSC is funded through an assessment on the public service

companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

The funding authorized under the BRFA of 2026 for PSC to conduct research into grid-enhancing technologies and advanced transmission technologies, and for grants to utility companies to incorporate those technologies – \$15.0 million total – appears aligned with provisions in this bill, including PSC’s development of performance-based incentives for the deployment and operation of advanced transmission technologies. However, the funding, is not considered, in this analysis, to be a direct fiscal effect of this bill.

Refund or Credit to Residential Distribution Customers

The bill specifies that a portion of ACP revenues in SEIF must be used to provide grant awards to electric companies to be refunded or credited to residential distribution customers for electric service in fiscal 2027. As mentioned above, the fiscal 2027 budget as introduced includes \$100.0 million in special funds for PSC contingent upon the enactment of legislation expanding the allowable uses of SEIF. This analysis assumes that contingency is satisfied by the bill’s authorization for the Governor to transfer up to \$100.0 million to PSC from SEIF for refunds or credits for residential distribution customers. Accordingly, special fund (SEIF) expenditures for PSC increase by \$100.0 million in fiscal 2027 only, as ACP revenues are allocated to electric companies to provide refunds or credits to residential distribution customers.

Department of Natural Resources

The bill creates new and incremental requirements for DNR’s PPRP that cannot be absorbed within existing resources. PPRP requires additional staff to meet the increase in anticipated workloads resulting from the bill.

In general, special funds from the Environmental Trust Fund are used to fund a significant portion of PPRP’s operations. PPRP also receives funding from SEIF in the fiscal 2027 budget as introduced (see the *Governor’s Fiscal 2027 Budget Books*, [Volume I](#), page 462). However, PPRP’s workload and costs have been increasing and, to the extent sufficient special funds are not available to cover PPRP’s costs to implement the bill, general funds may be required to cover a portion or all of the costs.

Accordingly, general/special fund expenditures for DNR increase by \$76,151 in fiscal 2027, which accounts for the bill’s July 1, 2026 effective date. This estimate reflects the cost of hiring one part-time (50%) power plant siting assessor to handle additional and expedited review work associated with the bill’s advanced transmission technologies and CPCN provisions. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	0.5
Salary and Fringe Benefits	\$67,704
Operating Expenses	<u>8,477</u>
Total FY 2027 DNR Expenditures	\$76,181

Future year expenditures reflect a salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

DNR can provide support to MDOT in completing the siting study required by the bill with existing budgeted resources.

Maryland Energy Administration

The bill establishes the Solar and Energy Storage Market Stabilization Program and requires MEA to develop and administer the program. The bill requires the use of SEIF funding for the program. The bill also, for fiscal 2027 through 2031, authorizes MEA to use ACPs deposited into SEIF for grants or loans to support the creation of new Tier 1 renewable sources in the State.

As mentioned above, the fiscal 2027 budget as introduced includes \$100.0 million in special funds for MEA contingent upon the enactment of legislation expanding the allowable uses of SEIF. Although not specified in the budget language, the bill’s provisions requiring the use of SEIF for the Solar and Energy Storage Market Stabilization Program, and authorizing the use of ACP revenues in SEIF for grants and loans to support the creation of new Tier 1 renewable sources, satisfy the contingent budget language and appear to be the intended uses of the \$100.0 million contingent appropriation. SEIF expenditures, therefore, increase by \$100.0 million in fiscal 2027 only, due to these provisions.

DLS notes that the BRFA of 2026 as introduced includes similar provisions that also satisfy the contingency: (1) an authorization, for fiscal 2027 only, for MEA to use \$70.0 million in ACP revenues in SEIF to provide gap financing for at-risk, large-scale clean energy projects (consistent with the purpose of the Solar and Energy Storage Market Stabilization Program established by this bill); and (2) for fiscal 2027 through 2031, an authorization to use ACPs deposited into SEIF for grants or loans to support the creation of new Tier 1 renewable sources in the State.

MEA advises that it can administer the Solar and Energy Storage Market Stabilization Program using existing staff and presumably can also administer grants and loans to support the creation of new Tier 1 renewable sources (whether as part of the program or separately) with existing resources.

Maryland Department of Transportation

Expenditures

Generally, the bill requires MDOT to (1) conduct a study and identify suitable State and interstate highway rights-of-way for the siting of electric transmission or distribution lines and battery energy storage systems and (2) develop and implement leasing, safety, and expedited approval processes for siting such transmission/distribution lines and systems. The bill authorizes the Governor to transfer by budget amendment up to \$10.0 million from SEIF to fund the siting study.

While the bill only authorizes the transfer of \$10.0 million to fund the siting study and not explicitly the other work MDOT must complete under the bill (*e.g.*, establishing a leasing framework and safety guidelines), for purposes of this analysis, and consistent with the apparent intent of the bill, it is assumed that the \$10.0 million is used by MDOT for its overall efforts under the bill (studying, developing, and implementing a siting/leasing process).

As mentioned above, the fiscal 2027 budget as introduced includes \$10.0 million in special funds for MDOT contingent on the enactment of legislation expanding the uses of SEIF. The bill's authorization of the transfer of up to \$10.0 million from SEIF appears to satisfy this contingency. SEIF expenditures, therefore, increase by \$10.0 million in fiscal 2027 only, due to the authorized transfer of \$10.0 million from SEIF to fund the siting study. To the extent the \$10.0 million is not fully spent in fiscal 2027, it is assumed the remainder of the \$10.0 million is spent over subsequent fiscal years, subject to the appropriation process.

DLS notes that the BRFA of 2026 as introduced includes a similar provision that also appears to satisfy the contingency – an authorization, for fiscal 2027 only, for MDOT to use \$10.0 million in ACP revenues in SEIF to establish a process, establish a model leasing framework, and create safety guidelines for rights-of-way for transmission infrastructure.

Revenues

To the extent transmission or distribution lines or battery energy storage systems are located in rights-of-way or on other MDOT-controlled property, an indeterminate amount of lease (and administrative cost recovery or fee) revenues are generated and assumed to accrue to the Transportation Trust Fund beginning, at the earliest, in fiscal 2028.

Local Fiscal Effect: The bill has several potential effects on local government operations and finances. Potential effects include the following:

- the State’s five municipal electric utilities – located in Berlin (Worcester County), Easton (Talbot County), Hagerstown (Washington County), Thurmont (Frederick County), and Williamsport (Washington County) – are generally not exempt from any provisions in the bill and are, therefore, affected like any other electric company (*i.e.*, distributing rate refunds or credits); the bill specifically prohibits the use of ratepayer refund monies from being used for administrative expenses;
- local governments may receive additional funding for clean energy projects due to the establishment of MEA’s Solar and Energy Storage Market Stabilization Program and the authorization of the use of ACP revenues in SEIF for grants and loans to support the creation of new Tier 1 renewable sources;
- local governments may receive inquiries or be involved in discussions about rights-of-way and other siting activities facilitated by MDOT for transmission line projects proposed in their jurisdictions; and
- local governments, as electric customers, are affected by any change in electricity rates, as discussed in the Additional Comments section below.

Additional Comments: Taken as a whole, the bill’s provisions appear likely to reduce electricity rates (including for the State, local governments, and small businesses); however, DLS advises that the magnitude of the potential impact on ratepayers cannot be reliably estimated.

If future electric infrastructure projects are sited along State or interstate highway rights-of-way or MDOT-controlled property, as envisioned by the bill, there may be a decrease in costs for ratepayers over time. Additionally, the bill’s requirement that CPCN applications for transmission line projects must consider alternative proposals, using advanced transmission technologies, as well as the periodic evaluation of the potential use of and investment in advanced transmission technologies, may reduce future capital expenditures on transmission line buildouts in the State and lead to lower electricity prices. Additional generation capacity created as a result of the Solar and Energy Storage Market Stabilization Program may also contribute to lower electricity prices.

Residential customers benefit from the \$100.0 million residential rate refund or credit in fiscal 2027. In addition, according to MEA, the bill’s requirement that electric companies must participate in an RTO will save Maryland ratepayers approximately \$20.0 million annually (due to the expected elimination of the impact of the “RTO adder” on electricity rates – see discussion under Background).

Additional Information

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

Designated Cross File: SB 386 (The President, *et al.*) (By Request - Administration) - Education, Energy, and the Environment.

Information Source(s): Department of Commerce; Calvert, Howard, and Prince George's counties; City of Annapolis; Department of Budget and Management; Maryland Department of the Environment; Department of General Services; Department of Natural Resources; Maryland Department of Transportation; Maryland Energy Administration; Office of People's Counsel; Public Service Commission; Federal Energy Regulatory Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2026
js/sdk

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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.

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Electricity Transmission and Distribution, Energy Storage, and Maryland Strategic Energy Investment Fund (Lower Bills and Local Power Act of 2026)

BILL NUMBER: HB 897

PREPARED BY:

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

 X WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Small businesses should benefit from lower utility bills as compared to business as usual over time.

The requirement within the bill that Advanced Transmission Technologies (ATTs) be considered when applying for a Certificate of Public Convenience and Necessity (CPCN) should lead to the proliferation of ATTs. ATT's can lower transmission system costs over time by reducing the need for new, costly infrastructure, instead providing additional transmission capacity utilizing existing physical assets.

Additionally, the bill creates a Solar and Energy Storage market Stabilization Program within the Maryland Energy Administration (MEA). This targeted program should expedite the deployment of solar and energy storage in the State, reducing electricity grid strain and providing a greater generation capacity that should lead to reduced capacity market prices through the PJM Base Residual Auction (BRA). The expense of the BRA has been a contributing factor in higher electricity rates over the last two calendar years.

Finally, the bill directs the Secretary of Transportation to develop a process by which existing State-controlled lands can be used for the development of electricity transmission, distribution, or energy storage assets. This should lead to lower development costs for these assets, further reducing future electricity price increases, as developers would no longer need to acquire land through the condemnation or eminent domain process which, in addition to the direct expense of which can also lead to significant litigation costs.