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PUBLIC SERVICE COMMISSION

March 5, 2024

Chair C.T. Wilson
House Economic Matters Committee
231 House Office Building
Annapolis, MD 21401

RE: HB 1112 – Information - Public Service Commission – Energy Storage Devices – Acquisition

Dear Chair Wilson and Committee Members:

The Public Service Commission (PSC) regularly monitors, advocates at and petitions the Federal Energy Regulatory Commission (FERC) and PJM Interconnection LLC (Maryland's regional transmission authority) on issues related to grid reliability and transmission on behalf of the State of Maryland. In addition, PSC Commissioner Michael Richard serves on the Board of the Organization of PJM States Inc., (OPSI) which works on behalf of States that are members of PJM. It is the authority of FERC and PJM to ensure the grid is reliable and power is available to citizens. As such, deactivations of power generators force FERC and PJM to determine how to keep the power flowing with the resources available. HB 1112 creates a process whereby a determination is made on whether the deployment of energy storage devices can provide a viable option in certain deactivation scenarios.

When a power plant is deactivated prematurely to account for grid needs, a plant owner may enter into a reliability must run (RMR) agreement to prevent blackouts. The idea of relying on storage to avoid a RMR agreement is similar to what the Public Service Commission filed last year at FERC in protesting how PJM's approved cost allocation for deactivation of the Brandon Shores power plant located in Maryland. The Commission suggested that storage on the distribution system, combined with other transmission system improvements, may possibly contribute to alleviating bulk power reliability concerns in a more cost effective manner. The Commission's filing also noted that PJM's current rules do not account for the cost of RMR agreements when considering the lowest cost reliability solutions. It is this type of holistic approach to reliability planning that the Commission has been advocating for at PJM through OPSI. This concept has been met with great interest by PJM and the PSC has been having positive dialogue. The basic theme of HB1112 aligns with this Holistic Needs approach and articulates a state position on an important element of a holistic assessment and planning process.

The PSC offers the following key observations on HB1112.

Primarily, the efforts envisioned would rely on substantial resources. The PSC recommends narrowing the scope of review to a limited type and size of generators that are deactivating. For instance, it was probably not the intent to have the Commission conduct such detailed storage assessments and

evaluations for the prospective deactivation of every small solar array in the State. Also, while the Commission would require contracting with expert consultants on transmission and distribution system planning, along with economic forecasting, the Commission suggests also relying on PJM and our utilities to assist in defining solutions. The Bill would also benefit from language that would include PJM's involvement, similar to that included in the *2023 POWER Act*. PJM has been eager to help the State in that effort and we expect they would be equally willing to engage their available planning and economic forecasting resources to support this effort. We also recognize the importance of our public utility companies. Not only do they have the technical expertise to evaluate their electrical systems, it would be in their interest to find cost effective distribution system solutions that can help ratepayers avoid high RMR costs. The process would also benefit from the engagement of stakeholders, including state agencies (e.g. Office of Peoples Counsel, Maryland Energy Administration, Department of Natural Resources, etc.).

The decision to move forward with a storage solution will rely on multiple assessments, many that may be characterized as speculative. For instance, how much will the regional and distribution system upgrades actually cost; how do any regulatory incentives to facilitate storage acquisition factor into the cost; how much would an RMR actually cost; what future wholesale capacity, energy and ancillary services prices are appropriate in valuing a resource that will be in operation for decades to come; and can PJM develop, file and receive any necessary FERC Tariff change approvals in time to effectuate the regional power system modifications that would need to complement the State actions contemplated by this Bill? And finally, how much cost-benefit certainty can be assured given all of these variables? Because of these many uncertainties, it is important to set some expectations up front.

Given the prescribed timeline in the Bill, it would require the Commission to make narrow cost-benefit determinations on a distribution system resource that may have implications on broader, ongoing efforts to address similar issues affecting storage resources. As the Committee may be aware, the Commission has embarked on several stakeholder processes in multiple dockets that are very much related to considerations in this Bill. The Energy Storage Program Workgroup (Case No. 9715) is designed to provide a competitive energy storage procurement program and address investment incentives; the Distributed Energy Resources ("DERs") Workgroup (Case No. 9674) is developing a unified benefit cost analysis framework for DERs, including energy storage devices; and the Distribution System Planning Workgroup (Case No. 9665) is addressing how utility distribution system plans can facilitate state policy goals and ways in which utility distribution system planning should be integrated with transmission level planning to evaluate DERs, including energy storage devices, to address Maryland electric grid needs. The October 2024 effective date in the Bill would require action that precedes these bedrock efforts. As such, the Commission would need to initiate another Working Group to focus on the specifics of HB1112 and in a way not to confuse stakeholders working on the similar, parallel efforts. In all likelihood, the Commission would require a formal rulemaking process to carry out the requirements in the Bill.

To summarize, factors beyond the Commission's jurisdiction, such as the need for the federal reliability planning process changes, and the multitude of cost-benefit uncertainties inherent in the expected reviews can present significant challenges to carrying out the mandate of a Bill aimed at furthering a more cost effective approach to regional reliability planning.

The Public Service Commission appreciates the opportunity to provide this informational testimony on HB1112. Please direct any questions you may have to Christina Ochoa, Director of Legislative Affairs, at christina.ochoa@maryland.gov
Sincerely,



Frederick H. Hoover, Chair
Maryland Public Service Commission