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112 West Street
Annapolis, MD 21401

Favorable with Amendments: House Bill 1112: Public Service Commission – Energy Storage Devices – Acquisition

Potomac Electric Power Company (Pepco) and Delmarva Power & Light Company (Delmarva Power) support with amendments **House Bill 1112- Public Service Commission – Energy Storage Devices – Acquisition**. This legislation requires the Maryland Public Service Commission (Commission) to determine whether the deployment of energy storage devices can help to avoid or limit a reliability-must-run (RMR) agreement with an energy generating system or facility in the State under certain circumstances. It requires the Commission to facilitate the acquisition of energy storage devices if they determine that the use of an energy storage device is a cost-effective solution or part of a cost-effective solution to avoid or limit a RMR agreement. Under a RMR scenario, a power plant is often paid a premium to continue operating past their planned retirement dates for reliability reasons.

Pepco and Delmarva Power support the State exploring viable energy solutions, such as battery storage to resolve potential capacity challenges that may occur as we continue to see generator retirements. The retirement of large amounts of coal-fired generating capacity within a short time span, combined with the increasing penetration of renewable power sources, has prompted warnings about shortages of electric generating capacity and other potential reliability problems. Strategic investments today drive incremental progress toward the grid of the future—designed to meet Pepco and Delmarva Powers customers’ needs in an increasingly electrified world.

House Bill 1112 requires the Commission to explore a utility-only model or a third-party cost-effective ownership model to bring more energy storage online. Pepco and Delmarva Power have been participating in the Battery Energy Storage Pilot Program since 2019. That law required all investor-owned utilities to submit at least two energy storage proposals for the Commission’s consideration. Between the two companies, Pepco and Delmarva Power have piloted both a utility-only ownership model and a third-party ownership model. As part of the pilot program, utilities have looked to adopt industry’s evolving best practices for promoting efficiency in developing energy storage projects. This pilot program’s value to both the utility and customers has come primarily from the lessons learned by utilities, stakeholders, and the Commission, which will be relied on in making future investment decisions.

While battery storage has a role to play in Maryland’s energy future, it is premature to draw the conclusion that storage can replace transmission investments—transmission investments are critical because energy storage devices have a shorter life cycle than a transmission system. The transmission system can be utilized for substantially longer periods—for many decades. Pepco and Delmarva Power support utilizing energy storage to complement the transmission system to help shift load by reducing overall peak demand, which in turn reduces constrained areas on the electric grid. As we work to transition to a cleaner grid, all tools in the toolbox should be considered.

Pepco and Delmarva Power are concerned there are no protections in this legislation that would prevent utilities from being penalized for delays in undertaking or completing energy storage projects amid supply chain shortages, regulatory challenges, and permitting and siting delays.

Pepco and Delmarva Power are committed to continuing to work with the bill sponsor and all stakeholders on the aforementioned concerns, and respectfully asks the Committee to issue a favorable report with amendments.

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