



Maryland Energy Administration

TO: Chair Feldman, Vice Chair Kagan, and Members of the Education, Energy, and the Environment Committee

FROM: MEA

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

DATE: March 26, 2024

MEA Position: FAVORABLE

This bill would require the Maryland Public Service Commission (PSC) to determine whether the deployment of energy storage devices could help to avoid or limit a reliability-must-run (RMR) agreement with an energy generating facility in the state under certain circumstances. The Maryland Energy Administration (MEA) is supportive of this legislation.

RMR agreements are used to keep power plants operating past their planned retirement dates in order to prevent reliability issues. RMR agreements are contracts between a regional transmission organization, or “RTO” (in Maryland’s case, this is PJM Interconnection), and a power plant to continue operations beyond the power plant’s planned retirement date. RMR agreements provide revenue for the power plant owner to recover its costs and earn a certain return as an incentive to continue operating.

RMR agreements are often necessary because of local transmission limitations that result in the need for a generator in a particular area. In other words, because of a transmission bottleneck, a generator from outside the area cannot substitute for the generator in the constrained location, leading to the need for a specific generator. When transmission upgrades or other changes that allow for improved power flows are placed in service, the RMR is no longer needed. In most cases, the generator is then expected to retire.¹ This legislation rightly recognizes the ability for energy storage devices to provide reliability services, as part of an affordable clean energy transition.

Energy storage can help defer or avoid the need to upgrade or replace transmission and distribution components by meeting peak demand with energy stored from lower-demand periods, thereby reducing congestion and improving overall transmission and distribution asset utilization. On January 19, 2017, the Federal Energy Regulatory Commission (FERC) issued a new policy statement entitled “Utilization of Electric Storage Resources for Multiple Services When Receiving Cost-Based Rate Recovery,” which clarifies that electric storage resources may receive cost-based recovery for such services, while also receiving market-based revenues for separate services, such as selling electric energy, capacity, and ancillary services in the organized wholesale markets, so long as adequate protections are in place to address potential abuses such as double recovery of costs from cost-based

¹ americaspower.org/wp-content/uploads/2022/10/RMR-Agreements-1.pdf

ratepayers.² This bill would allow a form of flexible cost recovery, in which energy storage devices used primarily for grid services may participate in PJM’s wholesale electricity market under certain conditions. MEA is generally supportive of multiple uses and revenue streams for storage resources, provided solutions like crediting market revenues back to customers are in place.

As the generation mix increasingly includes clean energy resources, greater collaboration is needed across states, regions, levels of government, and authorities to establish planning and policy that enables the development of the infrastructure necessary to support a modern power grid. Ensuring alignment and communications between state offices and agencies, as well as with RTOs, is also key.

MEA also notes its support of the House-adopted amendment to change part of the threshold for the PSC’s consideration of alternatives from when a generator notifies PJM it intends to retire an energy generating facility to when PJM identifies a reliability violation, which will avoid needlessly studying deactivations that do not require transmission upgrades.

For these reasons, MEA urges the adoption of the amendments and the issuance of a **favorable report**. For questions or additional information, please contact Landon Fahrig, Legislative Liaison, directly (landon.fahrig@maryland.gov, 410.931.1537).

²

www.federalregister.gov/documents/2017/02/06/2017-02421/utilization-of-electric-storage-resources-for-multiple-services-when-receiving-cost-based-rate