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| BILL NO.: | House Bill 1112 - Public Service Commission – Energy Storage Devices – Acquisition |
| COMMITTEE: | Education, Energy, and the Environment Committee |
| HEARING DATE: | March 26, 2024 |
| SPONSOR: | Delegate Charkoudian |
| POSITION: | Favorable |

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The Office of People's Counsel (OPC) supports House Bill 1112. This bill would authorize the Public Service Commission to assess whether energy storage devices can mitigate the significant electric bill impacts of power plant retirements on captive utility customers. The bill seeks to address reliability-must-run (RMR) agreements between PJM Interconnection and the power plant owner that cost hundreds of millions of dollars and are passed through to Maryland utility customers. The bill would require the Public Service Commission to evaluate whether energy storage is a viable solution that could mitigate the adverse impacts to customers of RMR contracts.

An RMR agreement is an arrangement intended to delay the retirement of a power plant that PJM Interconnection has said is needed for maintaining reliability until completion of a long-term solution—such as a new transmission line—for the plant's retirement. RMR agreements provide for an out-of-market compensation rate to the power plant owner that is usually significantly higher than capacity market prices. Customers pay the rate during the period between the plant owner's intended retirement or deactivation date and the completion of the long-term solution. Such agreements are very costly for utility customers who have no choice but to pay for the costs through their utility bills. Since 2017, RMR agreements have cost, on average, 16 times more than the average cost paid to non-RMR power plants participating in the PJM capacity market.

PJM allocates RMR agreement costs to the electric retail customers located in the areas it says need transmission upgrades to address the retiring power plant. For example, if transmission upgrades are needed for the transmission zone of Baltimore Gas and Electric, BGE's customers will pay the RMR costs in their utility bills. This means those customers will pay the cost of the RMR agreement until the transmission solution is complete in addition to the cost of the transmission solution to address the reliability issues.

Maryland customers are already looking at significant rate impacts from RMR agreements resulting from the recently announced retirements, including NRG's Indian River Unit 4 and Talen's announced intention to retire its Brandon Shores and Wagner coal-fired power plants. For NRG's Indian River Unit 4, as initially proposed the RMR agreement would have cost customers over $315 million even though the cost of building additional transmission facilities sufficient to maintain reliability is estimated at just $47 million. OPC is currently litigating the costs of Indian River Unit 4's RMR before the Federal Energy Regulatory Commission, which found in a May 2022 order that the proposed RMR agreement had not been shown to be just and reasonable. That litigation should reduce the costs of the RMR, but the rate impacts to customers will still be significant.

PJM has identified at least two additional generating stations scheduled for retirement in the BGE zone—Brandon Shores and Wagner—as necessary for reliability and has requested that both facilities remain in service as RMR resources.

The customer impacts of these RMRs are uncertain and will not be known until closer to the proposed retirement dates in 2025, but OPC's analysis based on past RMR agreements indicates that, for Brandon Shores and Wagner, the *annual* RMR cost totals would be around $296 million for BGE customers. Additional, though lesser, costs will be borne by other Maryland customers. Over the three and one-half year RMR period—assuming timely completion of the transmission lines deemed necessary to alleviate the problems—the total costs of these RMRs are likely to exceed $1 billion, which would increase BGE residential customers' bills by about $10 per month.

These RMR costs are not the only costs customers—mostly BGE's—can be expected to shoulder. PJM has estimated at more than $530 million in capital expenditures for the transmission solution itself. The transmission costs will be paid over many years after the new transmission is built. In addition, because Wagner and Brandon Shores are not likely to participate in the capacity market[1]—reducing the entities

[1] PJM has indicated that no power plant owners with recent RMR arrangements have participated in the capacity market.

participating in that market and causing price spikes—Maryland customers could have to pay about $164 million annually in additional capacity market costs to other generators during the term of the RMR.

Currently, PJM does a restricted and time-limited review of alternative solutions to address the reliability issues triggered by a power plant's proposed retirement. PJM's current process results in myopic decision-making and solutions that may not be the least cost. HB 1112 will put a spotlight on PJM's processes and commitment to work with states to develop a more robust planning process that better protects the customers who pay the bills.

Specifically, HB 1112 would help address PJM's failure to timely and fully consider alternatives by requiring the Commission to evaluate and consider energy storage solutions to avoid or limit the impact of RMR agreements. It directs the Commission to identify generating resources at risk of retirement before a retirement notice is issued. And it requires the Commission to engage with PJM to help ensure the development and implementation of cost-effective solutions to generator deactivations. These measures provide important State policy support that can limit Maryland customers' exposures to the high costs of generator retirements.

**Recommendation:** OPC urges a favorable Committee report on HB 1112.



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