Bill Ferguson
President of the Senate
Legislative District 46
Baltimore City

H-107 State House
Annapolis, Maryland 21401-1991
410-841-3600 · 301-858-3600
800-492-7122 *Ext.* 3600
Bill.Ferguson@senate.state.md.us

The Senate of Maryland
Annapolis, Maryland 21401-1991

SB937 - Public Utilities - Electricity Generation Planning - Procurement, Permitting, and Co-Location (Next Generation Energy Act)
Testimony of Senate President Bill Ferguson
On February 28, 2024
Before the Senate Committee on Education, Energy, and the Environment and House Economic Matters Committee

Why This Bill Matters:

Senate Bill 937, the Next Generation Energy Act, pulls available policy levers at the State-level to ensure we generate more Maryland-made electricity, we do it from cleaner sources, and we do it now to lower utility bill costs for Marylanders. The bills:

1. Ensure the affordability for Maryland ratepayers into the future;
2. Safeguard the reliability of our energy grid to prevent cascading blackouts at peak hours; and
3. Stabilize the predictability of the State's regulatory environment to make Maryland more attractive to private investment.

PJM, the multistate energy grid operator which Maryland is part of, released new electricity demand forecasts which indicate the region "could see a capacity shortage as soon as" June 2026, four years sooner than originally anticipated. Regional electricity demand growth due to data center development to support artificial intelligence, coupled with broader electrification efforts and the retirement of coal and oil generation facilities, is creating the perfect storm for Maryland ratepayers causing utility bills to skyrocket. Expanding in-state generation is critical, but particularly challenging in our State.

Demand for electricity in Maryland and throughout the country is rising at an untenable rate at the same time as coal and oil electric generation stations are retiring. The mismatch between supply and demand led to a 2025/2026 PJM capacity auction where energy prices increased by 800% compared to the prior year ($269.92/MW-day in 2025/2026 versus $29/MW-day in 2024/2025). As a result, Marylanders' utilities bills will increase by as much as $26 per month in June to account for rising prices and new transmission required to keep the lights on. Immediate action to provide relief to ratepayers is critical.

What This Bill Does:

Senate Bill 937 has three main components.

First, it expedites new, cleaner in-state generation to secure our grid by:

- Mandating the PSC solicit bids for and approve new "dispatchable generation" approximately equal to the amount of coal and oil generation in Maryland at peak summer hours.
    - Allows our State to eventually phase off dirtier generation sources with a higher greenhouse gas emission and particulate matter profile compared to the dispatchable generation sources the PSC must approve.
    - Prevents further drastic energy price increases caused by electricity demand outpacing supply as economic forces encourage old coal and oil plants to shut down.
    - Encourages Maryland-made electricity to reduce the risk of relying on other surrounding states for energy.
    - Mitigates the need for additional transmission lines to bring out-of-state electricity in Maryland, thereby impacting private property rights and our natural environment.
- Building a bridge to a net zero generation future while keeping the lights on until technology sufficiently advances.
    - Maintains our ambitious climate goals through requiring that any new natural gas turbines be convertible to run on hydrogen and other zero-emission biofuels when supply-side technology allows for it.
    - Prioritizes new energy projects that include co-located battery storage and/or Tier 1 renewable energy generation (e.g., solar, wind, hydro, geothermal, etc.).
- Setting ambitious timelines for the approval of these projects while expediting the siting and permitting processes to get energy on the grid as quickly as possible, including solar and battery projects that will soon clear the PJM interconnection queue.
    - Creates market predictability to encourage the construction of generation facilities in Maryland compared to surrounding states.
    - Accounts for the public perception that projects, especially those involving fossil fuels, cannot get built in Maryland.

Second, the Next Generation Energy Act ensures large load customers, like hyperscale data centers, pay their fair share towards maintaining our distribution and transmission grids by:

- Prohibiting large load customers energy customers from tapping directly into a generation facility and pulling that energy off the wholesale market for personal use.
- Allowing limited exemptions only if:
    - The large load energy customer is constructing their own generation sufficient to meet their needs; or
    - The customer procures energy from an existing generation facility that increases its output by the same amount of energy the customer is contracting for.

Third, it strengthens Maryland's position to capitalize on new nuclear technology as it advances by:

- Establishing a procurement process for new nuclear energy through a Nuclear Renewable Energy Credit process modeled after Offshore Wind Renewable Energy Credits.
- Mandating Maryland pursue agreements with:
    - Surrounding states to minimize financial and construction risks for the first few new nuclear facilities in the PJM region to demonstrate proof of concept, and reduce costs and timelines for future projects; and
    - Federal government facilities, including military installations, for the siting of new nuclear facilities including small modular reactors.

Why You Should Vote For This Bill:

According to **a recent report by the Maryland Energy Administration (MEA)**, our State's geography limits the amount of solar or land-based wind that can be constructed while offshore wind's future is uncertain under the Trump Administration. Battery storage technology is developing quickly and should be deployed as rapidly as possible, but may not provide the immediate requisite reliability and ratepayer benefits at scale to compensate for power plant retirements.

New dispatchable generation is the only short-term option for significant new generation that will allow the remaining coal and oil power plants to retire and reduce overall greenhouse gas emissions. We will maintain our environmental commitments through requirements that any new natural gas plants be convertible to run on hydrogen when that technology is sufficiently advanced. We will also prioritize projects with carbon capture and co-located renewable energy or battery storage. At the same time, we need to position Maryland to take advantage of new nuclear technology which will hopefully be available in the next 10-15 years.

New in-state dispatchable generation is the most affordable, reliable, and fastest energy source available to deploy while reducing our reliance on dirtier fossil fuels like coal and oil. More Maryland generation means more control for our State with numerous benefits. Less imported dirty energy from surrounding states with their own policy incentives; and fewer transmission lines impacting private property rights, farmland, and conservation easements.

The Maryland General Assembly's commitment to achieving net-zero generation is unchanged as new turbines will be required to be capable of running on zero-emission hydrogen or other biofuels when that technology is sufficiently advanced, thereby bridging to our ultimate greenhouse gas reduction goals and avoiding issues of stranded assets.

Thank you for your consideration of Senate Bill 937 and I urge the committees to move this bill with a favorable report after incorporating amendments from the various stakeholders who will present this afternoon.