

February 6, 2025

House Bill 398 – Abundant Affordable Clean Energy – Procurement and Development (AACE Act)

Dear Chair Wilson, Vice Chair Crosby, and the members of the Economic Matters Committee:

Thank you for the opportunity to submit testimony today in support of HB 398, the AACE Act. The undersigned organizations represent a coalition of industry, labor, ratepayer protection advocates, and environmental organizations who are unified in their support of the no regrets approach to achieving energy resource adequacy for the state of Maryland contained within the AACE Act. We respectfully request that this Committee issue a **favorable** report on HB 398.

Following decades of relatively stable electricity costs, Maryland now faces significant increases in costs to ratepayers. This spike is perhaps most dramatically exemplified by the recent 2025/2026 PJM capacity auction which saw [an 800 percent increase from previous years](#), which will be passed on to ratepayers as a portion of their utility bill. Similarly, after a history of flat, or even declining, electricity consumption dating back to the 2010s, demand is on the rise – largely attributable to high-intensity energy use facilities such as data centers, without sufficient new generation being brought online to provide equivalent or greater supply. This mismatch in supply and demand is occurring not only in Maryland, but the larger PJM wholesale market where Maryland gets a [significant amount of the electricity it consumes](#).

Both issues are related to capacity prices, and the mismatch in supply and demand is in large part attributable to policy decisions and (in)actions at PJM. The PJM interconnection queue is currently so backlogged that, in [2023, PJM announced it would cease to accept new projects for consideration](#), and has a roughly [5 year wait time from application to approval](#). This has [resulted in hundreds of GWs of planned projects](#), largely renewables or storage, sitting in limbo rather than being able to service Maryland's electric load requirements. Given this wait, projects which are ready to be deployed at time of application are often no longer viable due to changing economic realities by time of approval.

The AACE Act provides a path forward to addressing resource adequacy in the state and alleviating burden on Maryland ratepayers, while providing important protections for labor to ensure Maryland's workers receive, amongst other things, fair wages and benefits for their work in building a sound energy future. Critically, AACE brings on new energy projects that serve Maryland's load requirements *within this decade* on a least-cost basis, while allowing flexibility to respond to potential shifts in future energy markets. This combination of rapidity, low-cost, and flexibility makes AACE a "no regrets" path to achieving resource adequacy to meet *current* and future electric load requirements in Maryland.

First, the AACE Act directs the Maryland Public Service Commission (PSC) to create a competitive procurement process in 2026 and 2027 for up to 1,600 MW of total battery storage projects which are projected to secure PJM queue approval in those years. Importantly, AACE provides a pathway for these projects to be operational *in this decade*. These projects will be constructed in Maryland, and serve Maryland's peak demand– [alleviating the need for comparatively more expensive "peaker" plants](#). These projects are also [eligible to bid into the PJM capacity market](#) which can, in part, alleviate soaring capacity market costs. AACE's

competitive procurement process includes significant cost-benefit analyses as a part of any project application to ensure lowest cost to ratepayers, as well as a CPCN-equivalent to ensure rapid deployment upon approval by the PSC. Finally, this procurement process includes significant labor protections, including the requirement for community benefit agreements, which include guarantees for hiring practices and wage provisions to ensure Maryland's workforce benefits from these projects.

AACE also creates a pathway for 150 MW of distributed storage projects, not subject to the PJM interconnection queue, to be constructed by electric companies which will provide substantial benefits to residential and other local electric demand. These projects additionally include labor protections.

Second, AACE creates a methodology to "right size" incentives for new renewable energy projects in the state. These include utility scale (greater than 5MW) solar, onshore wind, and small-scale hydro, as well as distribution scale projects (i.e. rooftop or community solar). While Maryland's historic REC and SREC incentives have been a powerful tool to jumpstart renewable generation in the state, their "one-size-fits-all" approach often results in incentives that are mismatched to the needs of specific projects. AACE's SREC-II and REC-II allow for a better fit, ensuring individual projects can receive the incentives they need to come online, while ensuring unneeded incentives are not passed through to ratepayers.

Under AACE, utility-scale projects will be issued a guaranteed fixed price by the PSC, subject to competitive procurement bids including cost-benefit analysis, and other criteria such as brownfield siting, and a requirement that projects directly serve Maryland load. This process minimizes cost to ratepayers while ensuring the project is economically viable. The procurement also includes labor protections and community benefit agreements. SREC-II and REC-IIs are subsequently issued to these projects, which will operate to make up the difference between the fixed price issued by the PSC and market price sales for electricity to ensure project viability. This approach to utility-scale incentive-setting has been successful in other states, including Massachusetts, New Jersey, and Illinois. AACE's language builds on these proven successes.

Distribution scale projects are subject to an Administratively Determined Incentive (ADI) set by the PSC. ADIs are set for projects within given capacity blocks – groupings of market sectors - to ensure broad growth of distributed generation across the state. Through setting the value of an ADI, the PSC can tailor the amount of incentive a given project receives for each of the identified market sectors, allowing for a balancing between the amount of incentive required to promote market growth across the sectors, without overly burdening ratepayers with incentive costs that exceed economic requirements for development. As is the case with competitive procurement for utility scale projects, the ADI model has been successful in other states to ensure ratepayer protection alongside promoting renewable generation construction to meet the state's load.

AACE prioritizes SREC-IIs (both from utility and distributed scale projects), REC-IIs, and ORECs for purchase by Maryland electric sellers when they seek to meet their obligation under the RPS. AACE then prioritizes legacy SRECs, and finally, to meet any outstanding obligations under the RPS, sellers can purchase historic RECs from the PJM REC market. In such fashion,

AACE prioritizes that incentive costs passed through to Maryland ratepayers, are going to pay for projects that meet the State’s energy requirements.

Third, AACE provides several pathways to ensure that Maryland ratepayers are protected from rising electric utility bills. It directs the Maryland Energy Administration to supervise an escrow account that will be created to direct certain funds from electricity costs back to ratepayers. The PSC will oversee transparency and security of these funds. Alternative compliance payments (ACP) from the legacy RPS/REC system will be directed to this escrow account rather than the Strategic Energy Investment Fund, returning the pass-through costs to ratepayers from the ACP to the ratepayers. Similarly, AACE directs 75% of total franchise, sale, and use taxes from qualifying data centers – which are major drivers of increased electric demand which in turn increase ratepayer utility bills -to be contributed to this escrow account.

Fourth, AACE ensures that existing clean generation in the state remains online, by providing a pathway to ensure that the Calvert Cliffs nuclear facility is able to meet its 2034 and 2036 relicensing obligations. This nuclear facility provides nearly [40% of current in-state generation](#), and is not a contributor to greenhouse gas emissions, making it a critical facet of Maryland’s clean energy generation portfolio. To do this, AACE creates a “zero emissions credit” to act as a last resort safety net to ensure the facility’s economic viability – only triggering if the facility no longer receives existing federal tax credits and applying a means-test to ensure that the facility is not otherwise economically viable and would require the credit to remain in operation. Should one be required, a zero-emission credit is not eligible for recoupment under the RPS.

Finally, AACE directs the PSC’s transmission study related to offshore wind to prioritize transmission pathways from those projects which will directly serve Maryland’s electric load requirements.

The AACE Act provisions allow for project flexibility, focused incentives to spur development, ensuring that energy projects will directly benefit the state’s energy requirements, directly benefiting ratepayers, and ensuring workers in Maryland benefit from the projects they build and maintain. AACE’s pathway to energy development is in line with the State’s carbon reduction goals, allows for the flexibility to respond to future energy demands, and provides solutions to resource adequacy in this decade. For these reasons, we request this Committee issue a **favorable** report on HB 398.

Signed,

350 Montgomery County
ACQ (Ask the Climate Question)
Baltimore Green Space
Baltimore Jewish Council
CASA
Cedar Lane Unitarian Universalist Environmental Justice Ministry

Center for Progressive Reform
Ceres
Environmental Justice Ministry Cedar Lane Unitarian Universalist Congregation
Friends of Sligo Creek
Green Sanctuary committee, Unitarian Universalist Church of Silver Spring
HoCo Climate Action
IBEW Local 24
Indivisible HoCoMD Environmental Action
Interfaith Partners for the Chesapeake
Interfaith Power & Light (DC.MD.NoVa)
League of Women Voters of Maryland
Maryland Catholics for Our Common Home
Maryland League of Conservation Voters
Maryland Legislative Coalition
Maryland Legislative Coalition - Climate Justice Wing
Metropolitan Baltimore AFL-CIO
Mobilize Frederick
National Aquarium
Nature Forward
Oceantic Network
Poolesville Green
The Nature Conservancy MD/DC
The Rachel Carson Council
Third Act Maryland
Unitarian Universalist Legislative Ministry of Maryland
Waterkeepers Chesapeake