February 26, 2025

Maryland General Assembly
House Economic Matters Committee
230 Taylor House Office Building
Annapolis, MD 21401

Re: HB 1035, Public Utilities - Electricity Generation Planning - Procurement, Permitting, and Co-Location (Next Generation Energy Act) (Favorable with Amendments)

Chair Wilson and Members of the House Economic Matters Committee:

I am writing on behalf of the Data Center Coalition (DCC) to encourage a favorable report of HB 1035, with amendments. DCC is the national membership association for the data center industry. Our members include leading data center owners and operators, as well as companies that lease large amounts of data center capacity. Data centers provide the digital infrastructure that keeps us connected in our daily lives and supports many sectors of the 21st-century innovation economy – including artificial intelligence, financial services, advanced manufacturing, cybersecurity, healthcare, and other key industries.

The Next Generation Energy Act is appropriately aimed at finding the best way to encourage new energy generation in Maryland – a critical part of ensuring Maryland's economy remains competitive in the years ahead. As DCC member companies work to expand data center infrastructure to meet unprecedented consumer demand for digital services, advancing access to increasingly clean, affordable and reliable energy is a central priority for DCC.

Co-location is one of several commercial arrangements that can enable data centers to meet their growing power needs in an efficient manner, particularly in regions facing transmission or interconnection constraints. It provides a flexible option that aligns with market competition principles, offering consumers a choice without overburdening the central grid.

Co-location can take several forms, including "behind the meter" (BTM) arrangements with either new or existing generation, as well as in front of the meter co-location at the same transmission bus. In addition to reliability and affordability, co-location aligns with the sustainability goals of many large consumers by allowing direct access to clean energy sources. This can be particularly important for technology companies, which are increasingly setting ambitious carbon reduction targets.

DCC has worked closely with its members to develop a set of guiding principles for responsible co-location arrangements, which can ensure that co-location benefits all stakeholders, including power generators, utilities, data center operators, and other ratepayers, while safeguarding grid reliability and stability. Those principles, which DCC has presented to the Federal Energy Regulatory Commission (FERC), include:

- **Open Access:** Data center operators should have the option to co-locate new facilities next to power generation sources in BTM arrangements, in accordance with applicable regulations. This promotes competition and efficiency, particularly as transmission and interconnection challenges intensify in key markets.
- **Grid Impact Assessment:** Before co-location occurs, regulators, transmission owners, and operators should conduct an assessment to determine potential impacts on local grid infrastructure, stability, and reliability. This helps ensure that co-location does not negatively affect the grid or other customers.
- **Ratepayer Protection:** DCC supports just and reasonable cost allocation where data centers pay their full cost of service. Costs directly associated with co-location agreements, including any required transmission upgrades to facilitate that arrangement, must be allocated fairly to the parties involved in the co-location agreement to prevent shifting undue costs onto ratepayers.
- **Environmental Considerations:** Data center operators should strive to mitigate any increase in grid-level emissions resulting from co-location.

With those guiding principles in mind, DCC is concerned with two provisions included in HB 1035. First, starting on page 4, line 11, the bill would prohibit the co-location of large load users unless users are bringing 100% of their own energy to a project. This provision is unnecessarily restrictive and risks rendering Maryland less economically competitive by discouraging innovative co-location arrangements, potentially increasing electric transmission infrastructure, and reducing the amount of choice commercial consumers have in the market, which is a key tenant of Maryland's existing regulatory structure. This prohibition of a specific arrangement type sends a clear negative market signal to the data center market, which could come at the cost of jobs and investment for the state.

Second, on page 14, lines 30-34 explicitly limit small modular nuclear reactors (SMRs) which are intended to serve a single potential load. This provision puts unnecessary restrictions on SMRs which limits innovation and makes Maryland less competitive in utilizing emerging, carbon-free technologies.

With these provisions struck from the bill, DCC believes the Next Generation Energy Act would mark an important step forward for Maryland's energy future. In addition, it would build on Maryland's efforts over the past several years to advance legislation seeking to establish a competitive market that provides the certainty and predictability required to grow data center jobs and long-term capital investment in the state.

Thank you for your consideration.

Sincerely,

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