



Maryland Energy Administration

TO: Members of the Senate Education, Energy, and the Environment Committee & the House Economic Matters Committee

FROM: MEA

SUBJECT: HB1035/SB0937 - Public Utilities - Electricity Generation Planning - Procurement, Permitting, and Co-Location (Next Generation Energy Act)

DATE: February 28, 2025

MEA Position: LETTER OF INFORMATION

This bill attempts to address concerns around a lack of sufficient dispatchable energy generation in the state. This is in response to potential short-term reliability concerns the state may be facing. These concerns are couched in broader issues related to resource adequacy.

Resource adequacy ensures sufficient generation is available to meet demand. Resource adequacy is defined by the North American Electric Reliability Corporation (“NERC”) as “the ability of the electricity system to supply the aggregate electrical demand and energy requirements of the end use customers at all times, taking into account scheduled and reasonably expected unscheduled outages of system elements.”¹ This means the system can supply enough electricity where it is needed at all times, even during severe weather days and when unscheduled outages occur.

To ensure resource adequacy, it is a best practice to identify and prioritize resources that can be more rapidly deployed. This includes energy generators that are already within the PJM queue, which is currently dominated by solar energy generation and energy storage. Energy storage in particular presents an attractive option for enhancing the existing grid. In its report on resource adequacy in a decarbonized power system, the U.S. Department of Energy points out “energy storage can generally be added at the site of existing generators, increasing capacity value while using the same interconnection point.”² Additionally, continued expansion of resources such as wind and solar can also provide clean energy, enhance resource adequacy, and create good-paying jobs.

The challenges around resource adequacy are more pronounced in other PJM states. Though there has been a large increase in PJM load forecasts in comparing 2024 to 2025 load forecasts across PJM in its entirety, the majority of the load forecast growth is due to increased demand expectations in

¹ North American Reliability Electric Corporation, 2013a. Reliability Terminology (Aug. 2013)

² U.S. Department of Energy, The Future of Resource Adequacy (Apr. 2024) at p. 12.

the western portion of PJM’s footprint.³ The PJM territories for BGE and Pepco show very little increase between 2024 and 2025 load forecasts.⁴

Interstate/Federal Agreements and Reporting

This bill requires the Maryland Energy Administration (“MEA”) “in coordination with the Public Service Commission (“Commission”) and the Department of Natural Resources,” to pursue: (1) cost-sharing agreements with neighboring states in the PJM region to mitigate the risks of developing new nuclear energy generating stations; and (2) agreements with federal agencies regarding the siting of small modular reactors: (i) on federal land; or (ii) on or near federal facilities, including military and national security installations. These provisions are aimed to reduce costs for potential nuclear deployments by sharing cost and risk across jurisdictions, and to identify sites for potential nuclear development that may be more amenable to such deployments.

The bill also requires that on or before December 1, 2026 MEA shall report to the General Assembly on its efforts, “including an assessment of any opportunities to participate with other states, federal agencies, and public or private partners in a multistate procurement of new nuclear energy technology; and (2) an evaluation and status of the nuclear energy procurement process.”

Due to the highly technical nature of these evaluations regarding the development of new nuclear energy generation, MEA would need a one time consultant of up to \$150,000 to assist with these matters in FY2026 special funds.

Colocation

The bill also directs how a generator and “large load customer” may colocate, requiring generators to connect directly to the transmission or distribution grid versus directly to the sources of load. Mandating that large-load customers connect to the grid instead of directly to energy generation sources is a measure aimed at protecting ratepayers. Ensuring that large-load customers connect to the grid prevents critical energy resources from being diverted to a specific customer, supporting better reliability of the state’s energy infrastructure overall. This follows the Commission’s recommendations in its recent Report on Colocation.⁵ An exception is made, however, if a generator increases its generation output from existing levels in order to meet the expected demand of the large load customer, or if the generation is new and meets 100% of the large load customer’s expected demand.

Energy Production and Storage

Regarding energy storage and production, the legislation requires the Commission to host a competitive solicitation process for “dispatchable energy generation” in the state. As currently defined, “dispatchable energy generation” is not inclusive of some cleaner technologies that are more readily

³ See www.pjm.com/-/media/DotCom/library/reports-notice/load-forecast/2025-load-report.pdf at 13, 28-30.

⁴ *Id.* at 15 and 21.

⁵ See www.psc.state.md.us/wp-content/uploads/SB1-MD-PSC-Report-on-Co-location-V4_20241217.pdf

available, such as 4-hour battery storage. The definition also includes combined cycle gas turbines. The solicitation is capped at the historic peak of oil and gas generation, approximately 3 gigawatts.

Building and operational costs cannot be covered by ratepayers under the procurement. However, if a project is qualified as “dispatchable energy generation”, the project is exempted from pre-application requirements for a qualifying generating station and pre-application consultation requirements for generating stations under COMAR, and the project is subject to an expedited certificate of public convenience and necessity (“CPCN”) process.

The legislation also subjects storage over 2MW to a CPCN requirement, which represents an expansion of the regulatory environment around this new technology. Currently battery storage is subject to local permitting, but a CPCN is not required.

Lastly, similar to SB0434/HB0505, the bill creates a nuclear energy procurement mechanism. This mechanism does provide a financial incentive for the development of new nuclear generation in the state. The procurement mechanism creates a long term pricing schedule, not dissimilar to the state’s existing offshore wind renewable energy credit (“OREC”) process. A project approved by the Commission is eligible to receive funding based on its generation output, and that is funded by a nonbypassable surcharge.

Our sincere thanks for your consideration of this testimony. For questions or additional information, please contact Landon Fahrig, Legislative Liaison, directly (landon.fahrig@maryland.gov, 410.931.1537).