



**February 21, 2025**  
**Economic Matters Committee**

**HB 1225**  
**Public Utilities - Electric Distribution System Plans - Establishment**  
**(Affordable Grid Act)**  
**Sponsor: Delegate Lily Qi**

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**FAVORABLE**

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

In anticipation of increased energy demand, and in recognition of the need to modernize the grid to accommodate newer technologies that can manage supply and demand on the grid (such as distributed rooftop solar, battery storage, bidirectional EV charging, and Virtual Power Plant agreements), the Public Service Commission (PSC) first expressed the need to study the Distribution System Planning (DSP) process in some form in 2015. Since 2021, the Distribution System Planning Work Group (DSPWG) has been doing this work, further guided by direction the Maryland General Assembly provided in 2022 (via the Climate Solutions Now Act) and in 2024 (via HB 1393).

Proper DSP is important to ensure we have a reliable and resilient grid, and to ensure that modern technologies like Distributed Energy Resources (which customers are already purchasing for their homes and businesses) can interconnect in a timely fashion.

It is important to note that utilities have the ability to rate base their investments in distribution system infrastructure, and that modern grid technologies are often cheaper and faster to build than older pole-and-wire technology.

When DSP is done ineffectively, utilities run the risk of either significantly overbuilding or significantly underbuilding their distribution system infrastructure.

When utilities overbuild, it takes longer to make upgrades, which delays grid readiness. It also costs more money, which will get passed onto ratepayers.

When utilities underbuild, the infrastructure will need to be replaced earlier than expected. This ultimately wastes even more time than overbuilding, and in the long run costs ratepayers even more money than overbuilding. Underbuilding also results in new customer-sited technologies (such as solar panels and EV chargers) facing delays getting interconnected.

Proper DSP is the most cost-efficient option for ratepayers. With proper DSP, the rate based cost of capital expenses is minimized to only what is necessary to have a reliable, resilient, modern, efficient grid – and to build it as quickly as is feasible.

The DSPWG released their latest iteration of their draft regulations on January 21, 2025. Advanced Energy United is of the opinion that the regulations need to be taken a step further than the latest draft in order to ensure the distribution system is upgraded and built out as efficiently as possible.

This is highly unlikely to happen within the scope of the current DSPWG process, which has a deadline of December 31, 2025. Advanced Energy United anticipates that the final regulations will not require the level of data collection or analysis, nor have the strength of enforcement necessary, to complete this distribution system work as efficiently as possible. Therefore, we believe it is necessary for the General Assembly to weigh in on the DSPWG again.

[According to a Berkeley Lab report](#) published in December 2024, several states take a more comprehensive approach to DSP than Maryland currently does:

- Six states require utilities to include building electrification and electric vehicle charging in load forecasts.
- Five states require utilities to forecast the potential utilization and benefit of energy-saving tools including demand response, energy storage, distributed generation, demand flexibility, and/or managed EV charging.
- The District of Columbia and 16 states include analysis of non-capital (“non-wires”) investments in plan requirements.
- California, Hawaii, Massachusetts, Minnesota, New York, and Michigan require their Public Utility Commissions to approve electric utilities' distribution system plans.

More comprehensive DSP and a modernized grid will lead to:

- Lower capital expenditure spending by utilities, which will save ratepayers money on electricity delivery costs.
- Modernizing the grid more quickly, which will help us meet increased energy and supply and demand more quickly, as well as reach our clean energy goals faster.
- Fewer power outages, and faster restoration times from power outages.
- Increased ability for the grid to withstand extreme weather events.

The following is a high-level summary of the bill and how it differs from the draft regulations:

1. Every three years, an electric company must submit a Distribution System Plan (DSP) for the PSC’s approval. In contrast, the draft regulations explicitly state that the PSC’s goal is not to develop a formal approval process.
2. The PSC has the authority to stagger when the electric companies submit their DSPs.
3. The bill spells out everything that must be included in the DSP. This includes:
  - a. Forecasts for both Distributed Energy Resources and load, for at least three time horizons.

- b. A proposed portfolio of investments each for at least two scenarios, that minimizes capital infrastructure investments to the greatest extent possible. At least one scenario shall reflect the investments required to meet the State's existing clean energy and greenhouse gas emissions goals, and at least one scenario shall reflect a demand for electricity that is beyond what we are anticipating.

In contrast, the draft regulations calls for one of the two required scenarios to be a baseline scenario that uses current trends, and which doesn't account for achieving the State's goals. Neither scenario accounts for anticipating future energy demand beyond what was foreseen in the Climate Solutions Now Act.

- c. Analyses of the hosting capacity and load-serving capacity for Distributed Energy Resources (DERs), where DER expansion will provide the greatest value, and of existing constraints on the ability to expand DERs, meet anticipated load, and achieve our State's relevant goals. The bill language is more exacting than the draft regulations, which are more vague.
- d. A cost-benefit analysis of the possible solutions to the constraints identified above.
- e. A list of chosen solutions for upgrading the grid, and explanations for those decisions.
- f. A description of the electric company's plan to incorporate innovations in technology that will modernize the grid and improve its reliability and resilience.
- g. Description of how the electric company will coordinate on transmission and distribution in a manner that is most cost-effective to ratepayers.
- h. Description of how the electric company will use Federal, state, and local resources and incentives to minimize costs to ratepayers.
- i. Identified locations for decarbonization.

- j. Description of electric company's efforts to coordinate with gas companies to identify locations for decarbonization, to facilitate electrification, and to make sure demand by shared customers is not double-counted. The draft regulations do not require this coordination.
  - k. Description of how the electric company will manage its DER hosting capacity. Includes upgraded specific directions on what to include in hosting capacity analysis, including DER specific assessments and DER and load forecasts. In contrast, the draft regulations only require the hosting capacity analysis reflect what currently exists in regulations.
  - l. Description of how the DSP contributes to achieving the State's relevant goals. The draft regulations only reference (PUA) § 7-801 and § 7-802. In addition to those two sections, the bill also requires consideration of other green policies, including future policies.
  - m. Analysis using the metrics to be developed by the PSC.
  - n. Compilation of official comments received, and responses to those comments.
- 4. The DSP must be then made available for public comment and stakeholder vetting.
  - 5. The electric company must share relevant data to facilitate stakeholder participation in this process.
  - 6. The bill lists the criteria for the PSC to determine whether to approve or reject a DSP.
    - a. The electric company must complete the public stakeholder engagement process, and if applicable, provide evidence-based reasons for not incorporating stakeholder input. The draft regulations only require stakeholder input. However, the bill provides specific direction on how to conduct that stakeholder input.

- b. The DSP must advance our State's relevant climate and energy goals.
  - c. The DSP must adequately incorporate non-wires solutions and non-capital investments.
  - d. The PSC may reject the plan if it is not cost-effective, and/or doesn't minimize cost to ratepayers without compromising the grid's performance.
- 7. An electric company must submit annual progress reports on fulfilling their approved DSP, and the bill spells out what must be included in that progress report.
- 8. The bill also tasks the PSC with creating regulations with respect to:
  - a. Determining the metrics that electric companies must use in their reporting and analysis;
  - b. Determining a framework for data-sharing (with appropriate cybersecurity measures in place) between gas and electric utilities for the purpose of not double-counting customers, and for decarbonization and electrification planning. The bill is more specific than the draft regulations.
  - c. Determining whether and how to custom-tailor this bill's requirements for different types of utilities (such as investor-owned, municipal, and co-operative), based on their unique needs.

A note on possible amendments: Advanced Energy United is open to an amendment that would require the PSC to complete this work with existing resources. We are also open to an amendment that would exempt utility cooperatives from this bill entirely.

We respectfully request the Committee issue a favorable report. Thank you for your time.

Best Regards,

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