

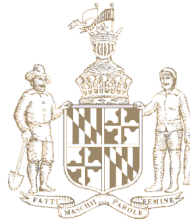
**KATIE FRY HESTER**  
*Legislative District 9*  
Howard and Montgomery Counties

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Education, Energy, and  
Environment Committee

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Chair, Joint Committee on  
Cybersecurity, Information Technology  
and Biotechnology



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**THE SENATE OF MARYLAND**  
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of SB 596 - Large Load Customers - Electric System Interconnection and Demand Response Program**

March 3, 2026

Chair Feldman, Vice Chair Kagan, and members of the Education, Energy, and Environment Committee:

Thank you for your consideration of Senate Bill 596, Large Load Customers - Electric System Interconnection and Demand Response Program, which establishes a framework to responsibly integrate large load customers, such as data centers, into Maryland's electric grid while protecting ratepayers and improving grid reliability.

Across the country, data centers and other large load customers are driving an unprecedented surge in electricity demand. According to PJM's own Independent Market Monitor, roughly 75 percent of recent capacity cost increases are attributable to data center load growth, contributing to rising costs for consumers.

In the fall, PJM Interconnection launched a fast-tracked process known as the Critical Issue Fast Path (CIFP) to address approximately 32 gigawatts of new large load, primarily driven by data center development. AI-driven data centers alone are projected to account for nearly half of U.S. load growth through 2028. Utilities are reporting multi-year interconnection delays and warning of potential rate increases as they prepare to serve this new demand.

This growth presents a dual risk. First, if we overbuild to accommodate speculative interconnection requests, Maryland ratepayers could be left covering the costs if projects fail to materialize. Second, if we fail to plan appropriately, reliability risks increase during peak periods when power plants are already operating at full capacity.

The traditional model of building infrastructure to meet worst-case peak demand is increasingly unsustainable. On average, the U.S. grid operates at only a 53% load factor, meaning nearly half of existing capacity sits unused much of the time. Ratepayers bear the cost of infrastructure built for occasional peak hours.

However, emerging research suggests a better path forward. A 2025 report from the Nicholas Institute at Duke University proposes leveraging flexible, curtailment-enabled loads to unlock significant “hidden” grid capacity. The study finds that if new large loads agreed to curtail operations during just 85–87 hours per year—the highest stress hours on the system—approximately 76 gigawatts of capacity nationwide could be unlocked without building new generation. Increasing flexibility to 1% of annual hours could unlock as much as 126 gigawatts.

Importantly, many AI data center functions, particularly training workloads, are delay-tolerant and well suited for temporary curtailment. Technologies already exist to pause, throttle, or geographically shift workloads. Maryland has the opportunity to harness flexible load as a reliability and cost-containment tool, while ensuring that ratepayers are protected and economic development continues responsibly.

Until regional markets like PJM evolve to fully value and incentivize this flexibility, states must lead. SB 596 incentivizes this flexibility by:

1. Establishing a voluntary demand response program for large load customers greater than 25MW, administered by the Public Service Commission in coordination with Maryland utilities. Participating customers must use battery storage, flexible load, or other non-emitting resources to reduce demand during peak periods.
2. Directing the Maryland Energy Administration to identify [surplus interconnection](#) capacity at existing generation sites and the amount of that capacity that can be deployed to additional resources without impacting the existing infrastructure. This information will be shared with large load customers and the “surplus interconnection service” will allow battery storage or other zero-emission resources to use unused interconnection space, avoiding years-long delays in the PJM queue and accelerating deployment of reliability-supporting resources. Projects that participate in surplus interconnection service shall be exempt from new county and PSC CPCN requirements, although they would need to be filed for notice only with PSC.
3. Establishing a priority interconnection, utility study, and permitting pathway for projects that provide capacity for 100% of their load through the reliability-enhancing mechanisms listed above and pay prevailing wages.
4. Establishing a community benefit fee of \$1,000 per MW served in order to be studied and considered for interconnection. This ensures that speculative projects do not clog the queue and directs funds to energy assistance and energy efficiency programs through the low income Empower program.

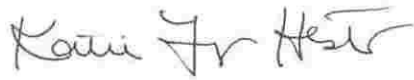
This legislation reflects a balanced, forward-looking approach. Rather than simply managing growth, it creates a framework that encourages large load customers to locate in Maryland by rewarding those projects that are willing to operate with greater flexibility. In doing so, we are

attracting data centers that can help keep electricity costs down for Maryland families while supporting economic development and innovation.

By acting now, Maryland can set clear, enforceable expectations that protect grid reliability, shield ratepayers from unnecessary cost exposure, and ensure that new economic development contributes positively to our energy system.

For these reasons, I respectfully request a favorable report on SB 596.

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive, flowing style.

Senator Katie Fry Hester  
Howard and Montgomery Counties