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OPPOSE – Senate Bill 0092

SB0092 – Electric Company Contracts, Capacity Market Models, and Regional Transmission Organizations - Studies

Education, Energy, and the Environment Committee
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Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 293,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Maryland, Ohio, Pennsylvania, New Jersey, New York, and West Virginia.

Unfavorable

Potomac Edison / FirstEnergy requests an Unfavorable report on SB-92 – *Electric Company Contracts, Capacity Market Models, and Regional Transmission Organizations – Studies* as drafted. SB-92 would require, among other things, the Public Service Commission (PSC), and the Maryland Energy Administration to study the benefits and costs of Maryland withdrawing from PJM Interconnection, LLC (PJM).

While we share the sponsors' interest in improving affordability, aligning market outcomes with state policy, and ensuring reliable service for Maryland customers, the bill's prescriptive directives—particularly the mandatory bilateral contracting threshold, the potential withdrawal from PJM's capacity and transmission structures, and the aggressive study timeline—pose substantial risks to ratepayers, reliability, and Maryland's competitive retail market framework.

Maryland is a retail choice state, and it is unclear whether the 80% five-year bilateral contracting requirement would apply to electric distribution companies, competitive retail suppliers, or both. Potomac Edison's default service is currently procured through PSC-supervised competitive auctions that already embed capacity costs, and we believe these processes should remain – there is no need to create a new, separate utility bilateral contracting mandate. Furthermore, for risk management, competitive suppliers commonly transact within 12–36-month horizons because of customer switching, load migration, and policy/market volatility. Forcing five years of forward capacity would either further deter supplier participation or impose significant risk premiums whose costs would then flow to customers.

Fixed Resource Requirements (FRR) in retail choice states are operationally complex and could reallocate market risk to customers. Assigning FRR to the electric distribution companies for all load would effectively re-bundle capacity risk and expand utility procurement roles far beyond current law and practice. Implementing FRR in Maryland would require comprehensive rulemaking, complex cost allocation reforms, and a fundamental redesigning of the state's retail market.

Withdrawal from PJM or creating/joining an alternative RTO will be costly, legally complex, and risky for reliability. Despite challenges, PJM's regional scale provides resource diversity, emergency support, and planning coordination that are difficult to replace. Creating a new RTO would require replicating market design, reliability, planning, and governance functions before realizing any potential benefit. Such an undertaking would introduce significant transition risk and could impair reliability if not executed flawlessly.

SB-92 has a study scope that includes multistate collaboration, market structure alternatives, bilateral mandates, FRR feasibility, and the potential withdrawal from PJM. The timeline proposed, December 31, 2026, is far too aggressive for a study of this magnitude. These are once-in-a-generation structural decisions with multi-billion-dollar implications – and a rushed process invites unintended consequences and weakens public confidence. A formal stakeholder process with technical conferences, public comment rounds, and independent modeling review is recommended.

PJM is not perfect—and we support continuous improvement to its interconnection process, capacity market design, and planning functions. However, the bill as drafted presupposes outcomes that could destabilize Maryland's retail market, transfer risk to customers, and jeopardize system reliability - leading **Potomac Edison / FirstEnergy to respectfully request an <u>Unfavorable</u> report on SB-92**. Our mission is to deliver safe, reliable, and affordable electric service and we stand ready to collaborate with the Committee, the PSC, and stakeholders to pursue reforms that will deliver these results for Maryland customers.