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PUBLIC SERVICE COMMISSION

Chair Marc Korman
Environment and Transportation Committee
250 Taylor House Office Building
Annapolis, MD 21401

RE: HB 1561 – Information – Electricity Generation and Storage - Investor-Owned Electric Companies and Front-of-the-Meter Storage (Affordable Energy Act)

Dear Chair Korman and Committee Members:

The Public Service Commission (“the Commission”) appreciates the opportunity to provide this informational testimony for HB 1561. HB 1561 requires the Public Service Commission to require one or more electric companies to develop and submit to the Commission a resource adequacy plan, should the Commission determine there is insufficient resource adequacy in the State or a price stability event has occurred. Subsequently, the Commission may require or allow an investor-owned electric company to construct, acquire, own, or lease and operate its own generating facilities and the transmission facilities necessary to interconnect the generating facility with the electric system. Further, HB 1561 makes changes to pricing structures and revenue treatment for storage projects participating in the Commission’s front-of-the-meter (“FTM”) transmission energy storage procurement.

The state of Maryland is considered a de-regulated state with regards to electric generation. Currently, distribution electric companies are prohibited from owning, building and operating generation facilities. Prior to the passage of The Electric Customer Choice and Competition Act of 1999, both the Commission and the General Assembly investigated the potential costs and benefits of moving to a restructured electric system. Implementation of the transition took place over a number of years.

HB 1561 seeks to reverse this transformation without the benefit of investigating potential costs and benefits to the ratepayers. It is unknown at this time if allowing electric utilities to again own, build and operate will increase or decrease costs to ratepayers. Section 2 of the Renewable Energy Certainty Act (2025) requires the Commission to “conduct a study to establish a process which the Commission may establish power purchase agreements, partnerships between electric companies and electricity suppliers, or other procurement models for electricity generation projects” among other things. The Commission has identified a consultant to conduct this study and anticipates completion of the study as required. This study will provide important information for the General Assembly to consider before returning to a system where electric companies own, build and operate generation facilities.

Under the Next Generation Energy Act (2025), Maryland's framework for FTM (front of the meter) transmission storage operates effectively as a partial tolling arrangement in which the State secures the capacity attribute of the storage resource for a 15-year term, while allowing the developer to participate in PJM energy and ancillary services markets. This structure appropriately prioritizes capacity, which is the primary contributor to resource adequacy, whereas energy and ancillary services revenues are not direct contributors to resource adequacy. This arrangement creates a scenario under which capacity revenues are structured for customer benefit while developers retain appropriate incentives to optimize market participation and reduce overall bid prices. The Commission announced on March 3, 2026 that it had received five transmission-connected energy storage applications totalling 1375 MW of capacity under the Next Generation Energy Act provisions, thereby demonstrating the success of a partial tolling arrangement in attracting applications.

HB 1561 changes the framework to a full tolling arrangement. In Order 91812 issued in September 2025 in the Maryland Energy Storage Program docket, the Commission determined utility proposals for both utility-owned and third-party owned transmission-connected energy storage submitted for consideration using this arrangement failed to demonstrate how they provide value over and above the Commission's procurement solicitation requirements in the Next Generation Energy Act for these targeted projects. A full tolling structure would also require the Commission (or its designee) to dispatch the storage resource into PJM markets to optimize revenues. The Commission is not operationally equipped to perform real-time dispatch of energy storage devices and would likely need to procure a third-party scheduling or asset management entity, thereby introducing additional administrative complexity and cost.

If the legislature chooses to move forward with HB 1561 without the benefits of the study currently required by the Renewable Energy Certainty Act (2025) the Commission believes amendments are necessary to ensure effective regulatory oversight and additional time to implement. The Public Service Commission appreciates the opportunity to provide this informational testimony for your consideration for bill HB 1561. Please contact the Commission's Director of Legislative Affairs, Niki Wiggins, if you have any questions.

Sincerely,



Kumar P. Barve
Chair, Maryland Public Service Commission