



HB143 – SUPPORT

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**TESTIMONY SUPPORTING HB143:
Electric Company Contracts, Capacity Market Models, and Regional
Transmission Organizations – Studies**

House Environment and Transportation Committee

February 3rd, 2026

Dear Chair Korman, Vice Chair Guyton, and members of the Environment and Transportation Committee,

I write today on behalf of Ceres to respectfully urge a favorable report from the Committee on HB143 concerning studying Maryland's participation in regional electricity markets. Ceres works with investors, companies, and financial leaders to promote sustainability solutions. Through our Business for Innovative Climate and Energy Policy Network (BICEP), we mobilize over 80 major employers, including several businesses doing business in Maryland, to advocate for more affordable and sustainable climate and clean energy policies.

The Need For Rigorous Market Analysis

Maryland businesses and residents have experienced significant increases in electricity capacity costs in recent years. The PJM capacity market auction results have shown dramatic price volatility, with capacity prices for the 2025-2026 delivery year increasing nearly tenfold compared to the previous year in some zones. These cost increases directly impact business competitiveness, household budgets, and Maryland's ability to attract and retain employers.

House Bill 143 does not prejudge outcomes but instead requires Maryland to conduct a comprehensive, evidence-based analysis of alternatives. This is exactly the kind of due diligence that responsible business leaders and policymakers should demand before making major decisions affecting billions of dollars in ratepayer costs.

Rising Costs Demand a Thorough Review

The recent trajectory of PJM capacity market costs raises legitimate questions about whether the current market design is serving Maryland ratepayers effectively. Capacity costs represent a significant portion of total electricity bills for Maryland businesses and residents. When these costs increase dramatically without corresponding improvements in reliability or service quality, it is fiscally prudent to examine alternatives.

Several other states have already explored or implemented alternatives to centralized capacity markets. Illinois, Michigan, and Virginia have opted to use the Fixed Resource Requirement alternative, which allows states to procure capacity through their own mechanisms while remaining within PJM for energy and ancillary services markets. Maryland should understand the costs, benefits, and lessons learned from these approaches.

Contracting Requirements: Cost Certainty and Market Stability

The study of requiring electric companies to demonstrate contracted capacity addresses a critical business need: **cost predictability**. Long-term capacity contracts can provide price stability and reduce exposure to volatile spot market prices. This study will examine whether a contracting requirement could:

- Reduce price volatility and provide more predictable electricity costs for businesses making long-term investment decisions. Manufacturing facilities and other energy-intensive operations require cost certainty for capital planning and competitiveness.
- Enable more strategic procurement that aligns with Maryland's clean energy goals. Long-term contracts can facilitate the development of new clean energy resources by providing revenue certainty for project financing, while spot markets favor existing fossil fuel generation.
- Create opportunities for Maryland-based generation resources and economic development. Strategic contracting can prioritize in-state projects that create local jobs and tax revenue, rather than relying solely on market mechanisms that may procure capacity from distant resources.

Regional Coordination and Multi-State Solutions

House Bill 143 wisely requires consultation with neighboring states as part of the study process. Regional electricity markets function most efficiently when states coordinate their approaches. A multi-state compact pursuing the Fixed Resource Requirement

alternative could provide economies of scale while maintaining the benefits of regional coordination for reliability and transmission.

Several mid-Atlantic and northeastern states share Maryland's concerns about capacity market costs and the need to align market structures with aggressive clean energy goals. States including New Jersey, Delaware, and the District of Columbia have similar policy objectives and face similar market challenges. A coordinated multi-state approach could provide greater negotiating leverage with PJM and create a more robust alternative market structure than any single state could achieve independently.

Alignment with Clean Energy Investment

Companies are making substantial commitments to clean energy procurement and decarbonization. Current capacity market structures can create barriers to these corporate clean energy goals by:

- Favoring existing fossil fuel resources through market rules that do not fully value the long-term benefits of clean energy resources, including reduced fuel price risk, improved air quality, and climate benefits.
- Creating price signals that can discourage new clean energy development while providing windfall profits to existing generators during periods of high capacity prices.
- Limiting state and utility ability to pursue strategic resource planning that aligns capacity procurement with long-term policy goals and corporate sustainability commitments.

A thorough study of alternatives, as required by House Bill 143, will provide Maryland with the information needed to determine whether alternative market structures could better support clean energy deployment while maintaining reliability and controlling costs.

Economic Development and Local Benefits

Current capacity market structures provide limited ability for Maryland to direct capacity procurement toward resources that provide broader economic benefits to the state. Alternative approaches such as competitive capacity auctions or strategic contracting could enable Maryland to consider factors beyond simple lowest cost, including:

- Job creation and economic development impacts from new generation or storage projects located in Maryland.
- Local tax revenue from in-state facilities that can offset capacity costs and provide community benefits.
- Resilience and energy security benefits from distributed resources and storage that can provide backup power during grid disruptions.

Learning from Other Markets

Different regional electricity markets in the United States employ different capacity procurement mechanisms. Some regions rely on centralized capacity markets similar to PJM, while others use resource adequacy requirements with bilateral contracting, and still others use integrated resource planning by regulated utilities. Each approach has advantages and disadvantages.

The studies required by House Bill 143 will enable Maryland to learn from the experiences of other markets and states. For example, western states using bilateral contracting have generally experienced lower capacity cost volatility than PJM, though they face different challenges. Understanding these tradeoffs is essential for informed policymaking.

Conclusion

House Bill 143 represents sound, prudent policymaking. It does not mandate any particular outcome but instead requires Maryland to conduct the thorough analysis necessary to make informed decisions about electricity market structures that will affect ratepayer costs for decades to come.

The business community needs electricity markets that provide cost certainty, support clean energy deployment, align with state policy goals, and maintain reliable service. Whether the current PJM capacity market structure best serves these objectives is a question that deserves study. House Bill 143 ensures that Maryland will have the information needed to answer this question and to pursue alternatives if they prove beneficial.

Given recent capacity market price volatility, the fiscal responsibility of examining alternatives, and the need to align market structures with Maryland's clean energy and economic development goals, this study is both timely and essential. For these reasons, Ceres urges a favorable report on House Bill 143.



Respectfully submitted,

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