

March 10, 2026

112 West Street
Annapolis, MD 21401

Support – House Bill 1561 – Electricity Generation and Storage - Investor-Owned Electric Companies and Front-of-the-Meter Storage (Affordable Energy Act)

Potomac Electric Power Company (Pepco), and Delmarva Power & Light Company (Delmarva Power) support **House Bill 1561 – Electricity Generation and Storage - Investor-Owned Electric Companies and Front-of-the-Meter Storage (Affordable Energy Act)**. House Bill 1561 authorizes the Public Service Commission (PSC) to direct regulated utilities to develop new renewable generation and battery storage assets when needed to ensure reliability and affordability, allows utilities to build and own generation under full public oversight, including cost review, siting approval, and performance accountability and requires stronger planning and coordination to align energy development with Maryland’s clean energy goals, load growth, and infrastructure needs. This legislation complements competitive energy markets, rather than replaces it, by adding stable, publicly accountable supply to meet growing demand.

Maryland is operating in a supply deficit as in-state demand exceeds generation supply. Many Maryland generation plants have retired and have not been replaced, leading to increased costs and reliability risks. Maryland relies on generation plants located in other states like Pennsylvania to transfer energy via transmission lines to the state. Transferring energy from other PJM states is increasingly risky as the grid operator is facing a widening gap between rising electricity demand and lagging generation supply. **Maryland cannot afford to wait.** Maryland must secure its own energy future. During peak days, PJM will have less margin for error, that includes the possibility of system failures for generation plants or transmission outages due to failure or maintenance work. The more Maryland relies on out of state generation and transmission to meet its peak capacity needs, the more risk exists to grid vulnerabilities. The state must act now to stabilize energy costs, reduce dependence on out-of-state power, and protect reliability during extreme weather - while staying on track to meet clean energy goals.

Maryland’s current energy rules prevent regulated utilities from building power generation to meet surging demand, even though utilities are responsible for keeping the lights on. A relatively small number of private power plant companies control much of the available power supply and benefit financially when capacity is tight. Capacity prices in the regional PJM market have increased nearly 600%, reflecting tightening power supply and driving up customer bills. Rising energy supply costs and falling reserve margins in PJM have sparked concerns about customer affordability and reliability. High price signals have not led to adequate generation plant construction to increase supply even in the face of rapid load growth. As solutions are explored, the need for better planning and for customer-accountable entities to overcome market uncertainty has led to consideration of expanding utility-owned generation in PJM.

Amber Perry | Anne Klase | Allyson Black-Woodson | Poetri Deal | **410 980 5347**

Despite record-high prices, PJM's most recent auction still failed to procure enough power to meet reliability targets, leaving the system more than 6,600 megawatts short, about the equivalent of six nuclear plants. Maryland now imports roughly 40% of its energy, often at the highest regional prices, exposing customers to volatility they cannot control and puts them at risk for frequent extended outages. On peak days (really hot or cold), Maryland imports more expensive electricity from other states via transmission lines, and that is we can get it at all. Electricity can get "trapped" in other states due to transmission congestion, and that can eventually lead to black outs.

The Affordable Energy Act addresses these structural problems by putting Maryland back in control of its energy future. As drafted, House bill 1561:

- Authorizes the PSC to direct regulated utilities to develop new renewable generation and battery storage assets when needed to ensure reliability and affordability.
- Allows utilities to build and own generation under full public oversight, including cost review, siting approval, and performance accountability.
- Requires stronger planning and coordination to align energy development with Maryland's clean energy goals, load growth, and infrastructure needs.
- Provides predictable, regulated cost recovery, reducing exposure to volatile wholesale market prices and protecting ratepayers over the long term.
- Complements competitive energy markets, rather than replacing them, by adding stable, publicly accountable supply to meet growing demand.
- Directs that customers receive bill credits, reflecting the energy and capacity market earnings of the resources, helping offset costs.

This legislation is not a unique concept. **Thirty other states, including Virginia, already allow regulated utilities to build generation alongside competitive markets.** States can expand the role of utility-owned generation alongside market-driven developments by Independent Power Producers (IPPs). PJM currently operates, and always has operated, in states with varying regulatory environments for generation. In some states, only IPPs develop new resources. In other states, vertically integrated utilities do so in parallel to IPPs. In these hybrid states, new utility-owned generation is planned through state commission regulated resource planning processes that include significant public stakeholder engagement which can better align investment decisions with long-term system needs, policy objectives, and citizens' concerns. Expanding the use of utility-owned generation could provide states with a more deliberate mechanism to ensure resource adequacy and support affordability. Under this framework, utilities would site and develop new generation under state guidance, based on long-term load forecasts, reliability requirements, and state policy goals, consistent with standard practices

How the Affordable Energy Act lowers costs and improves reliability

House Bill 1561 will allow for more in-state supply, which can help reduce price spikes caused by power shortages and dependence on out-of-state generators. Regulated generation brings costs under PSC oversight, rather than leaving customers exposed to unregulated market volatility.

This clear accountability will ensure that an in-state utility is responsible for meeting Maryland's future energy needs. Additionally, battery storage and renewables can be deployed faster and more strategically to support reliability while advancing clean energy goals.

Bill Impacts

The cost of building in-state generation and battery storage by utilities would be offset by revenue these assets make in the PJM market. Basically, the utilities are building this generation on behalf of Maryland customers to ensure the lights stay on and energy prices stabilize. Under the utility-owned generation framework, customers receive credit for the energy and capacity market earnings of the resources, offsetting costs. Furthermore, utility-owned generation acts as a hedge by providing a stable supply of power to customers, which offsets the volatility of energy and capacity market prices.

Clarifying Amendments

Pepco and Delmarva Power continue to work with the bill sponsor and stakeholders on amendments to clarify and update bill language and will continue to work with all stakeholders.

What this means for Marylanders

House Bill 1561 will mean greater stability in energy bills by increasing reliable power supply. It also will reduce the risk of outages during heat waves and winter storms. This increased protection will help provide additional safeguards for seniors, medically vulnerable residents, schools, and essential services. Maryland's energy affordability and reliability challenges are solvable. House Bill 1561 provides a proven, accountable framework to increase power supply, moderate prices, and protect customers while supporting the state's clean energy goals.

Pepco and Delmarva Power know higher energy costs are hard for families and businesses to manage, which is why finding solutions to lower costs is a top priority. We are working every day to provide meaningful assistance, protect customers from unfair cost impacts, and push for long-term solutions that help keep costs as low as possible. Pepco and Delmarva Power remain committed to partnering with all members of the General Assembly to find solutions to address high energy costs and respectfully request a favorable report on House Bill 1561.