

Consumer Rate-Based Generation Threatens Competition and Benefits

Maryland’s electricity reliability and affordability are at risk. Legislative proposals that would allow utilities to directly saddle ratepayers with the costs and risks of building new generation will make the problem worse, not better.

Senate Bill 954 and House Bill 1561 would result in a costly policy shift in Maryland that would undermine electricity market restructuring, which has created a competitive, efficient marketplace that benefits consumers.

Giving utilities the ability to rate-base power generation for consumers again will reverse our progress, leading to higher bills, less innovation and less dependable power.

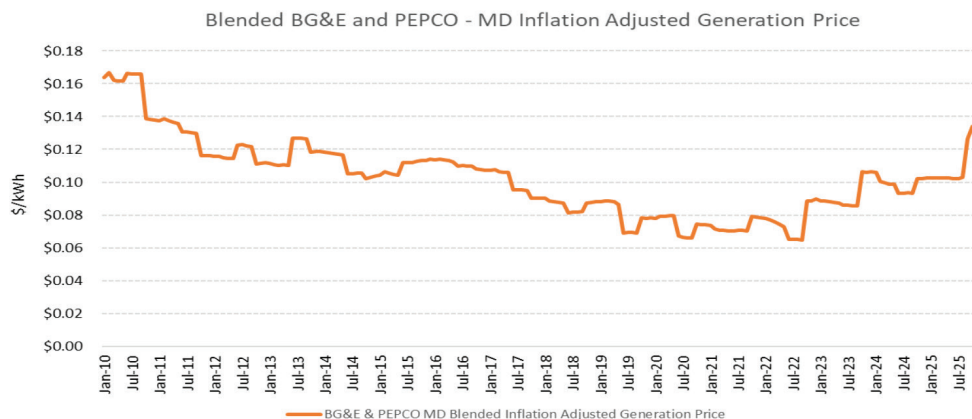
Consumer rate-based generation shifts financial risk to ratepayers

The risks associated with new power generation investments would be transferred from investors to utility ratepayers. This model creates a risk-free financial environment for utilities while obligating ratepayers to subsidize generation projects, regardless of performance or market competitiveness. While Maryland policymakers have expressed concerns about PJM capacity prices at around \$300/Mwday, the price of capacity in Virginia, where utilities build and own generation, is over \$460/Mwday.

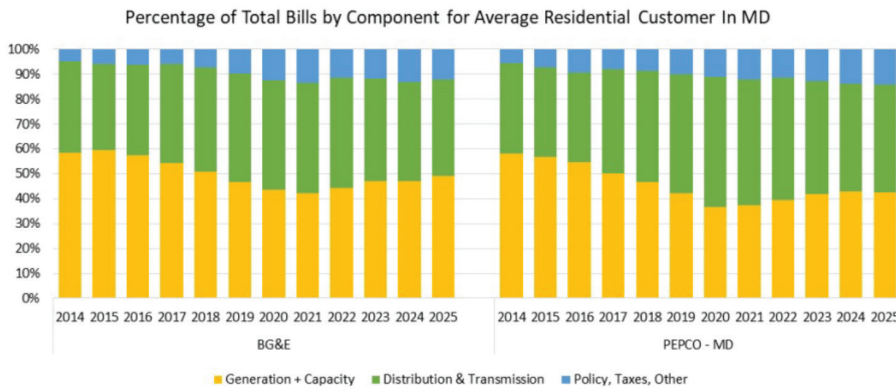
A competitive market structure benefits consumers in Maryland

In 1999, Maryland’s Electric Customer Choice and Competition Act restructured the market by separating generation from transmission and distribution to **reduce high electricity costs through competition, not a rate-based, guaranteed profit model**. This reform lowered prices and improved service through generator competition.

Historical data indicates that **generation costs in Maryland for the state’s two largest electric utilities, BG&E and PEPCO, have remained consistent relative to prior years** in the study period, as detailed in a [recent Energy Tariff Experts study](#). In fact, generation prices in 2025 were nearly identical to 2014 prices.



When looking at the overall cost of electricity in Maryland, the chart on the next page demonstrates that the percentage share of generation and capacity is actually lower than it was 10 years ago. Distribution and transmission costs, and policy and taxes make up a larger share of the average residential customer bill today than in 2014.



SB 954/HB 1561 is unnecessary, costly and bad public policy

Current Maryland law already allows utilities, including BG&E and PEPCO, to petition the Public Service Commission to rate base power generation if they believe there is a compelling case to do so. The same law also empowers the commission to require or allow utilities to build, acquire or operate power generation facilities to meet long-term, anticipated electricity demand. SB 954/HB 1561 would create an untested process that asks the PSC to make vague determinations that would open the door to additional charges to consumers' bills while eroding the benefits of the competitive market.

These legislative changes will not make utility bills more affordable and will most certainly lead to higher costs to consumers over the long run.

Strengthening competition is the best path forward

We believe that properly designed, fairly regulated and well-functioning competitive wholesale electricity markets without artificial market subsidies are the most effective means of:

- Ensuring a reliable supply of power to Maryland and the entire PJM region
- Facilitating the investment of at-risk capital in both new and existing technologies to deliver competitively priced power to consumers
- Complementing state and federal environmental objectives

About the PJM Power Providers Group (P3)

P3 is a nonprofit organization that supports the development of properly designed and well-functioning power generation markets in the PJM region, which includes all of Maryland. P3 members own more than 108,000 megawatts of generation assets, producing enough power to supply over 63 million homes, and are poised to invest further in Maryland, with recent announcements of more than 2,200 megawatts of new and updated generation and energy storage projects planned for the state.

Our members have invested tens of billions of dollars into facilities in the PJM marketplace without any regulatory guarantee of a return on that investment. P3 members own and operate virtually all forms of electricity generation (gas, wind, solar, nuclear, coal, hydrogen, battery storage), provide demand response and battery storage services in certain markets and serve end-use consumers through retail affiliates.

P3 MEMBER MD ASSETS

Alpha Gen

- Keys Energy Center - 766 MW (natural gas)

Cogentrix

- Rock Springs - 744 MW (natural gas)

Constellation

- Calvert Cliffs Clean Energy Station - 1,790 MW (nuclear)
- Conowingo Hydroelectric Generation Station - 572 MW (hydroelectric)
- Criterion Wind Project - 70 MW (wind)
- Fair Wind Project - 30 MW (wind)
- Fourmile Wind Project - 40 MW (wind)
- Perryman Generation Station - 404 MW (dual-fuel)
- Philadelphia Road Generating Station - 61 MW (oil)

CPV

- St. Charles Energy Center - 745 MW (natural gas)
- Backbone Solar - 160 MW (solar) Under construction

Rockland Capital

- Dickerson Power - 294 MW (dual-fuel)
- Chalk Point Power - 1,612 MW (natural gas and fuel oil)

Talen Energy

- Brandon Shores Power Plant - 1,289 MW (coal)*
- H.A. Wagner Generating Station - 702 MW (oil)*

* Scheduled to retire in 2029

Testimony of the PJM Power Providers Group
Before the House Environment and Transportation Committee
Maryland House Bill 1561 – Opposed
March 10, 2026

The PJM Power Providers Group (P3) respectfully submits this testimony in opposition to House Bill 1561.¹ P3 is a nonprofit organization representing competitive power suppliers that own and operate a diverse portfolio of generation resources throughout the PJM region, including substantial investments in Maryland. Our members collectively own more than 108,000 megawatts of generation capacity and have invested tens of billions of at risk capital dollars—without guaranteed recovery from ratepayers—to ensure reliable and competitively priced electricity.

House Bill 1561 Would End Maryland’s Competitive Market Structure

House Bill 1561 would authorize utilities to return to rate-based ownership of generation, fundamentally reversing Maryland’s electric restructuring framework established under the Electric Customer Choice and Competition Act of 1999. That restructuring separated generation from transmission and distribution specifically to reduce costs through competition rather than guaranteed utility returns.

The competitive wholesale market has delivered measurable benefits to Maryland consumers. Inflation-adjusted default generation prices for Maryland’s consumers have remained stable over time, with 2025 prices nearly identical to 2014 levels. The generation price chart included in the supporting materials (Page 1) illustrates this long-term value proposition delivered by competitive market.

Rate-Based Generation Shifts Financial Risk to Consumers

HB 1561 would allow utilities to recover generation investment costs directly from ratepayers while transferring the risks associated with construction and performance to those same ratepayers. This pre-2000 approach transfers financial risk from investors to captive customers and creates a risk-free investment environment for utilities while obligating consumers to subsidize projects regardless of competitiveness or performance.

Experience in neighboring states raises additional concerns. While policymakers have expressed concern about PJM capacity prices around \$300/MW-day, capacity prices in Virginia—where utilities own and rate-base generation—exceed \$450/MW-day, demonstrating that utility

¹ The views expressed in this testimony represent the views of P3 as an organization and not necessarily the views of any P3 members. For more information on P3: www.p3powergroup.com. A list of the assets P3 members own in Maryland is attached.

ownership does not reduce costs.² Moreover, Virginia, under its utility owned generation structure, has consistently failed to keep up with rising demand, putting pressure on states like Maryland to build generation and transmission to support its shortfall.³

House Bill 1561 Is Unnecessary

Current Maryland law already allows utilities, including BG&E and PEPCO, to petition the Public Service Commission (PSC) to rate-base generation if a compelling need exists. The PSC also retains authority to require or approve generation development to meet long-term electricity demand. HB 1561 would create an untested and vague regulatory process that risks opening the door to additional customer charges while eroding the benefits of Maryland's competitive market structure.

Generation Is a Smaller Share of Customer Bills Today and Capped Prices Going Forward Suggest Stability Going Forward

Data included in the supporting materials show that generation and capacity represent a smaller share of residential electricity bills today than they did a decade ago, while distribution, transmission, policy costs, and taxes now make up a larger portion of customer bills (see chart on page 2).

Moreover, PJM's capacity prices are currently capped until May 31, 2028, and PJM has proposed that these capacity price caps continue until May 31, 2030. With capacity prices capped for the next four years, any increase in generation costs to Maryland consumers will be directly tied to the wholesale price of natural gas which is completely out of the hands of Maryland policymakers. If gas prices remain steady it is highly likely that generation rates will remain steady. The recent results of the New Jersey default service auction stand as a testament that generation rates may not see significant increases in the near future.⁴

Data Center Demand is Fueling the Need for More Generation and PJM is Actively Working on Measure to Allocate the Costs of Needed New Generation to Those Entities

PJM Interconnection is actively implementing market, planning, and operational reforms to address the rapid growth of large-load data centers and ensure that reliability and cost allocation remain aligned with system needs. PJM has enhanced its interconnection and load forecasting processes to better account for high-density, geographically concentrated demand, while coordinating closely with transmission owners and state regulators to identify infrastructure upgrades required to maintain reliability. PJM is also refining its resource adequacy and capacity market frameworks to ensure that new load entering the system is matched with sufficient dispatchable and flexible generation resources and assigned the costs of those upgrades. In

² See, <https://www.pjm.com/-/media/DotCom/markets-ops/settlements/frr-lse-capacity-rates/2025/schedule-8-1-appendix-2.pdf>

³ See, <https://www.eia.gov/todayinenergy/detail.php?id=64104>

⁴ See, <https://www.nj.gov/bpu/newsroom/2026/approved/20260212.html>

addition, PJM is advancing improved transparency around large-load interconnection requests, studying co-location and behind-the-meter arrangements, and evaluating tariff revisions so that costs associated with serving large, rapidly developing loads are appropriately assigned to those creating the demand rather than broadly socialized to existing customers. Together, these efforts are intended to support data center growth while preserving grid reliability and protecting consumers from undue cost shifts.⁵

Competitive Markets Best Support Reliability and Investment

Competitive wholesale markets encourage investment using private capital rather than customer guarantees. PJM members remain prepared to invest in Maryland's energy future, with more than 6,000 megawatts of new and updated generation and energy storage projects planned for the state.⁶ Properly designed and well-functioning competitive markets help ensure reliability, facilitate innovation across technologies, deliver competitively priced electricity, and complement state and federal environmental objectives.

Conclusion

House Bill 1561 represents a costly and unnecessary departure from Maryland's successful competitive electricity framework. By shifting investment risk to consumers, weakening competition, and duplicating authorities already available to regulators, the bill would likely increase long-term costs while undermining innovation and reliability.

For these reasons, the PJM Power Providers Group respectfully requests an **unfavorable report** on House Bill 1561.

⁵ See, <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf>

⁶ For example, <https://www.constellationenergy.com/news/2025/11/constellation-offers-maryland-a-menu-of-new-generation-options-to-meet-rising-demand.html>

P3 Member Maryland Assets

AlphaGen

- Keys Energy Center in Brandywine, MD, Prince George's County, Natural Gas, 766 MW

Cogentrix

- Rock Springs, Rising Sun, Cecil County, Maryland, 744 MW, Natural Gas

Constellation

- Calvert Cliffs Clean Energy Station, Lusby, MD, Nuclear, 1,790 MW
- Conowingo Hydroelectric Generation Station, Darlington, MD, Hydro, 572 MW
- Criterion Wind Project, Oakland MD, Wind, 70 MW
- Fair Wind Project, Oakland MD, Garrett County, Wind, 30 MW
- Fourmile Wind Project, Frostburg MD, Garrett County, Wind, 40 MW
- Perrymen Generation Station, Aberdeen MD, Natural Gas and Oil, 404 MW
- Philadelphia Road Generating Station, Baltimore MD, Oil, 61 MW

Competitive Power Ventures (CPV)

- CPV St. Charles Energy Center, Charles County, MD, Natural Gas, 745 MW
- CPV Backbone Solar – Garrett County, MD, Solar, 160 MW

NRG

- Vienna Unit 8, Vienna, Maryland, 153 MW, Residual Oil (Primary), Distillate (Start-Up)
- Vienna Unit 10, Vienna, Maryland, 14 MW, Distillate
- NRG Chalk Point CT (Aquasco, Maryland, 80 MW, Natural Gas (Primary), Distillate (Secondary))

Rockland Capital

- Dickerson Power, Dickerson, Montgomery County, Dual fuel units (natural gas and fuel oil), 294 MW
- Chalk Point Power Aquasco, Prince George's County, Natural gas-only units and dual fuel units (natural gas and fuel oil), 1,612 MW

Talen Energy

- Brandon Shores Power Plant - 1,289 MW (coal)*
- H.A. Wagner Generating Station - 702 MW (oil)*

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