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**Committee: Environment and Transportation**

**Testimony on: HB940 “Large Load Customers - Electric System Interconnection and Demand Response Program”**

**Position: Support**

**Hearing Date: February 24, 2026**

The Maryland Chapter of the Sierra Club supports HB940. The bill would require the Maryland Public Service Commission (PSC) to develop a large load interconnection process, and it would require large load customers (e.g., data centers) to use clean energy and demand response to support flexibility and to achieve quicker interconnection. The interconnection process established by the PSC for large load customers would need to include an expedited timeline for those customers that provide interconnection capacity for 100% of their load; establish requirements for large load customers to supply 25% of their load from clean energy in order to interconnect to the electric system and contract for service; authorize certain large load customers to receive prioritization if they can supply 100% of their load from clean sources; and require the PSC to establish a large load customers demand response program. HB940 also requires a study of surplus interconnection potential by the Maryland Energy Administration. We believe that HB940 will ensure that large loads that choose to locate in Maryland will be cleaner and more flexible, utilize existing infrastructure as much as possible, ameliorate local and regional environmental impacts that can be created by large loads, and help Maryland achieve its climate goals.

In the absence of HB940, new large loads will be able to interconnect in Maryland without any restrictions on how they can interconnect. Indeed, the current practice of many data center developers is to purchase needed capacity and energy from fossil energy sources, largely natural gas powered – a result encouraged by PJM’s proposal for large loads to bring their own capacity – and to install diesel generation as backup power to ensure 99.99% reliability. Consequently, local and regional air quality will suffer, and carbon emissions will increase markedly. The following discussion highlights how HB940 will forestall these outcomes and help Maryland meet its climate goals.

First, requiring the PSC to develop an interconnection process for large loads will be a massive improvement. Currently, COMAR does not contain any regulations directed at the process of interconnecting large loads. The Next Generation Act did require the development of large load tariffs that account for interconnection, but specific rules guiding the process of interconnection these large loads do not yet exist. Without detailed interconnection regulations, Maryland regulators have no capability to direct how large loads interconnect to the Maryland electric system. HB940 addresses this lack of rules.

Second, HB940 requires that a large load customer may not be interconnected unless the customer provides interconnection capacity for 25% of its load from clean energy sources.

Founded in 1892, the Sierra Club is America’s oldest and largest grassroots environmental organization. The Maryland Chapter has over 70,000 members and supporters, and the Sierra Club nationwide has over 800,000 members and nearly four million supporters.



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Acceptable clean energy sources identified in HB940 include (i) behind-the-meter energy storage facilities, (ii) new energy storage facilities in local areas, (iii) purchases of capacity from new carbon-free assets, or (iv) demand response. We believe that this 25% directive is the most important requirement in the bill in supporting Maryland climate goals – new data centers will be required to procure clean energy or storage for a portion of their load or engage in demand response. Furthermore, the 25% requirement is doable and is not onerous. Electric storage technologies are rapidly dropping in cost and increasing in their capabilities. Furthermore, use of storage to meet data center load is not a future possibility. It is happening now. At least two large data centers are being developed by Verrus and Oracle/OpenAI to use 100% storage to power their needs. In addition, requiring that data centers engage in demand response is an increasingly common approach to interconnection – see, for example, Indiana & Michigan’s settlement in Indiana (IURC Cause No. 46097).<sup>1</sup>

Third, HB940 incents priority interconnection for large loads that use any of the four sources identified above to meet 100% of their load. This provision will ensure that the data centers which get priority interconnection do not negatively impact Maryland’s environment and its climate goals. As noted above, recent developments suggest that 100% is an achievable requirement.

Fourth, HB940 requires that the PSC establish a large load customer demand response program. Such PSC action will help make the demand response option attractive to large load customers. As noted above, other states, like Indiana, have developed large load demand response programs, and Maryland should follow.

Finally, the use of surplus interconnection is promoted in HB940. Any use of surplus interconnection will reduce the need to obtain the 25% capacity needed to interconnect. Furthermore, the bill directs the Maryland Energy Administration to study each electricity supplier with generating facilities located in the State to determine the surplus interconnection potential at each interconnection point. An assessment of surplus interconnection and eventual use of this capacity will be critical in locating new large loads and new resources. Use of available surplus interconnection capacity by new resources will place less stress on electric infrastructure and the need for new transmission.

In summary, Maryland Sierra Club fully supports HB940 and recommends a favorable report. The Sierra Club also recommends consideration of three additions to the bill. First, to ensure that the storage and demand response procured is from carbon-free sources, we recommend that additional language require or incent the use of carbon-free resources. For example, without this language, diesel generation could be used as demand response to lower demand at a facility to meet the 25% goal. Second, the bill would benefit from clarifying how the existence of virtual

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<sup>1</sup> Indiana Utility Regulatory Commission. *Order of the Commission: In the matter of the verified petition of Indiana Michigan Power Company for approval of modifications to its industrial power tariff, Cause No. 46097*. November 22, 2024.

[https://iurc.portal.in.gov/\\_entity/sharepointdocumentlocation/2b48cf93-d9ee-ef11-be20-001dd80b8c52/bb9c6bba-fd52-45ad-8e64-a444aef13c39?file=ord\\_46097\\_021925.pdf](https://iurc.portal.in.gov/_entity/sharepointdocumentlocation/2b48cf93-d9ee-ef11-be20-001dd80b8c52/bb9c6bba-fd52-45ad-8e64-a444aef13c39?file=ord_46097_021925.pdf)



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power plants can factor in the demand response performance of a large load customer. Virtual power plants represent aggregations of smaller demand response and distributed energy resources that can be relied upon through contractual methods. Finally, we recommend that options available to meet the 25% and 100% goals specified in the bill be expanded to include contracting with or procuring capacity from virtual power plants. We believe that HB940 is positioned to be a valuable addition to Maryland's energy policy framework and that these additions would further strengthen that value.

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