

**Testimony of the PJM Power Providers Group (P3)**

**House Bill 1112**

**Maryland Senate Finance Committee**

**March 26, 2024**

P3<sup>1</sup> opposes House Bill 1112 as written and encourages the Committee to not advance this bill that attempts to address a very complicated issue with a solution that is not thoroughly developed and could have significant unintended consequences.

P3 appreciates the overall concerns regarding the additional costs to Maryland consumers associated with the closure of large thermal power generators in Maryland. These plants that are slated to close have reliably provided power to Maryland for decades and their closures, driven by Maryland's public policy, will lead to costs in the form of transmission upgrades and Reliability Must Run or RMR contracts that obligate Maryland consumers to pay for the operating costs of the plants while transmission upgrades are pursued. Addressing the challenges associated with these closures is a worthy policy endeavor, however, House Bill 1112 is not a sufficiently developed answer to a very complicated problem.

Replacing Brandon Shore's 1282 MW's is no small task and storage simply is not capable of providing the same grid support the system demands. As PJM articulated in no uncertain terms, "More fundamentally, storage is not an appropriate replacement for the sizable Brandon Shores deactivation. The operational characteristics and performance of ESRs are still not reliable as a replacement generation resource due to their limited discharging period and temperature dependent performance. While considering the winter season is the worst system condition for Brandon Shore deactivation, the needed duration of the discharging period for reliability will be beyond an ESR's capability and will potentially expose the public into a wide area voltage collapse."<sup>2</sup> The Committee needs to fully

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<sup>1</sup> P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly designed and well-functioning electricity markets in the PJM Interconnection, L.L.C. ("PJM") region. Combined, P3 members own over 83,000 MWs of generation assets and produce enough power to supply over 63 million homes in the PJM region covering 13 states and the District of Columbia. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com).

<sup>2</sup> See, <https://pjm.com/-/media/documents/ferc/filings/2023/20231003-er23-2612-000.ashx> at 15.

understand just how realistic an impact battery storage can have on the retirement of Brandon Shores and other thermal units before committing ratepayer dollars to support such a solution. The last thing that Maryland consumers need is to pay for utility rate-based storage assets that will not alleviate or reduce the need for the transmission upgrades or RMR contracts.

Moreover, beyond understanding the technical capabilities of storage, the Committee needs to understand the practical realities of connecting new generation of any form to the PJM grid. Generators in PJM must provide a 90-day notice to PJM before they retire so PJM must respond quickly to any reliability issues associated with the closure. Transmission studies and upgrades need to be reviewed and approved quickly. The same goes for RMR agreements. Any new storage assets seeking to connect to the grid would need to go through the PJM interconnection queue and, if they are new, likely sit behind any projects that are already in the queue. This process could take years and likely not eliminate the need for transmission upgrades and RMR contracts leaving consumers exposed to stranded costs.

House Bill 1112 also allows utility rate-based generation to sell power into the wholesale market which represents a fundamental shift in Maryland's energy policy which currently demands that generation be provided by competitive providers. Such a change in policy needs to be thoughtfully considered as it could easily lead to higher costs for consumers if done hastily. Moreover, House Bill 1112 would allow utilities to own and rate-base generation without any of the traditional projections of utility regulation. The bill allows utilities to recover any "verifiable and prudently incurred costs" without any details or process for making that determination. In traditional utility rate making, such reviews are conducted through lengthy hearings in which the public can question the utility's costs and return on investment. House Bill 1112 offers no such protections.

Moreover, as written, House Bill 1112 seems internally inconsistent. The bill purports to address generation shortages caused by plant closures yet then discusses the deployment of storage as transmission and distribution assets. The bill directs the PSC to issue orders to deploy storage devices that will "satisfy the reliability need identified or confirmed by PJM interconnection, LLC that would have otherwise been satisfied by a reliability-must-run agreement." The Bill then seeks to redefine these storage assets to replace RMR contracts (which are for generation) as transmission assets whose costs are recovered in distribution rates. In other words, one part of House Bill 1112 seems to target the storage assets as primarily replacements for retired generation and another part of the bill portrays the storage assets as transmission assets paid for in distribution rates that may occasionally sell energy into the wholesale markets. The committee needs to understand this dissonance before moving forward.

Again, P3 appreciates the broad intent of House Bill 1112 to achieve cost effective solutions to the closure of major thermal generating facilities in Maryland. However, House Bill 1112, as written, represents a significant departure from Maryland's historical energy policy, lacks the traditional consumer protections associated with utility rate making, contains internal inconsistencies and will not likely effectively address the problems it seeks to resolve. For these reasons, P3 urges the committee to not advance this bill and instead better understand the issues that are driving the retirement of resources that are needed for Maryland consumers to have an adequate supply of power.