

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 596 (Senator Hester)
 Education, Energy, and the Environment

Large Load Customers - Electric System Interconnection and Demand Response Program

This bill requires the Public Service Commission (PSC) to (1) establish a process for large load customers to interconnect to the electric system; (2) set related fees, as specified; and (3) establish a Demand Response Program for large load customers. Fees collected under the bill must be used for the Electric Universal Service Program (EUSP) within the Department of Human Services (DHS) and the EmPOWER Maryland Limited Income Energy Efficiency Program (LIEEP) within the Department of Housing and Community Development (DHCD), as specified. The bill also (1) exempts large load customers from having to obtain a Certificate of Public Convenience and Necessity (CPCN) under specified circumstances and (2) requires the Maryland Energy Administration (MEA) to complete a study regarding surplus interconnection potential in the State.

Fiscal Summary

State Effect: Special fund revenues for DHS and DHCD increase, potentially significantly, beginning as early as FY 2027 from fees (not reflected in the table below); special fund expenditures increase correspondingly. Special fund expenditures for PSC increase by \$450,900 in FY 2027 and by at least \$294,100 annually thereafter; special fund revenues increase correspondingly from assessments. Special fund expenditures for MEA increase by \$150,000 in FY 2027 only. General/special fund expenditures for the Department of Natural Resources (DNR) increase by at least \$99,700 in FY 2027 and by at least \$118,200 annually thereafter. Other potential effects are discussed below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$450,900	\$294,100	\$307,800	\$321,800	\$335,800
SF Expenditure	\$600,900	\$294,100	\$307,800	\$321,800	\$335,800
GF/SF Exp.	\$99,700	\$118,200	\$123,600	\$129,200	\$134,800
Net Effect	(\$249,700)	(\$118,200)	(\$123,600)	(\$129,200)	(\$134,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill is not anticipated to have a material, direct effect on local government finances or operations. The potential effect on electricity prices is discussed in the Additional Comments section below.

Small Business Effect: Potential meaningful, as discussed below. The potential effect on electricity prices is discussed in the Additional Comments section below.

Analysis

Bill Summary:

Definitions

“Large load customer” means a commercial or industrial customer for retail electric service that has or is projected to have (1) an aggregate monthly demand of at least 25 megawatts and (2) a load factor of more than 80%.

“Surplus interconnection” means the amount of interconnection capacity available at an existing interconnection point that is not currently being utilized by existing generation facilities.

Interconnection Process for Large Load Customers

PSC must establish an interconnection process for large load customers that includes (1) a standard timeline and (2) an expedited timeline for customers that provide interconnection capacity sufficient to serve 100% of their load. The process may not adversely affect the timeframe or ability of other customers to interconnect to the electric system.

A large load customer may not interconnect to the electric system unless it provides interconnection capacity for 25% of its load through (1) behind-the-meter energy storage facilities; (2) purchasing capacity with newly interconnected energy storage facilities within the load zone or local delivery area; (3) purchasing capacity with new carbon-free assets in the load zone or local delivery area; or (4) demand response. However, any capacity a large load customer obtains through surplus interconnection may be credited toward satisfying the 25% load capacity requirement. If a large load customer provides capacity for 100% of its load through any of the methods described above and pays the prevailing wage rate, the customer must be prioritized for load studies, interconnection, and permitting.

Before signing a contract for service, a large load customer must submit a request for a load study to determine the necessary contract capacity for the customer. Additionally, a

large load customer must pay (1) a fee in an amount to be set by PSC, which may not be less than \$1,000 per megawatt of load to be served and (2) any other applicable fees associated with the study. Of the fees collected, 50% must be used for EUSP in DHS and 50% must be used for LIEEP within DHCD.

Demand Response Program

PSC must establish the Demand Response Program for large load customers. PSC must offer each participating large load customer the option of contracting for either (1) 6 nonconsecutive 4-hour periods of load management or demand-side management time slots per calendar year or (2) 10 nonconsecutive 10-hour periods of load management or demand-side management time slots per calendar year.

PSC must:

- develop a clear compensation structure or financial incentives for program participation;
- establish a clearly defined penalty system for nonperformance during any force majeure events by a participating large load customer;
- establish a dispute resolution process;
- establish multiple notification and communication channels for participating large load customers; and
- adopt regulations that prohibit behind-the-meter energy storage facilities from being included in a participating large load customer's load, develop guidelines and limitations for charging such facilities during certain peak demand, and establish a method for measuring a participating large load customer's demand response performance.

In measuring demand response performance, PSC must factor in (1) new virtual power plant aggregation options developed by electric companies; (2) front-of-meter energy storage facilities; and (3) nonwire alternatives, including grid enhancing technologies, that feed electricity back to the electric system.

Each electric company must provide participating large load customers with 24 hours of advance notice of potential demand response periods and 30 minutes of notice before each demand response period.

Exemptions from the Certificate of Public Convenience and Necessity Process

A participating large load customer constructing a behind-the-meter energy storage facility under the Demand Response Program is exempt from having to obtain either a CPCN or an approval to construct from PSC.

Additionally, a large load customer that purchases interconnection capacity from interconnection points with surplus interconnection potential is exempt from the requirement to obtain a CPCN for that location.

Study on Surplus Interconnection Potential

By December 31, 2026, MEA must complete a study of each electricity supplier with generating facilities located in the State to determine the surplus interconnection potential at each interconnection point. MEA must report a summary of the study results, including the total surplus interconnection potential available in the State, to the General Assembly. The summary may not itemize the surplus interconnection potential by electric company or interconnection point. MEA must share the study results with data center developers in order to encourage the use of surplus interconnection.

Current Law:

Next Generation Energy Act

Chapters 625 and 626 of 2025 (Next Generation Energy Act) specified that it was the intent of the General Assembly that residential retail electric customers in the State should not bear the financial risks associated with large load customers interconnecting to the electric system serving the State. The Act required electric utilities to establish a specific rate schedule for a “large load customer” (a commercial or industrial customer for retail electric service that has or is projected to have an aggregate monthly demand of at least 100 megawatts and a load factor of over 80%), approved by PSC, that:

- requires a large load customer to cover the just and reasonable costs associated with any electric transmission or distribution system buildout required to (1) interconnect the customer to the electric system serving the State or (2) serve the customer;
- protects residential retail electric customers from the financial risks associated with large load customers through specified means; and
- sufficiently ensures that the allocation of costs to large load customers under the schedule does not result in other customers unreasonably subsidizing the costs of large load customers.

Before signing a contract for service under the schedule, the Act specified that a large load customer must (1) submit a request for a load study to determine the necessary contract capacity for the customer and pay any applicable fees associated with the study; (2) designate a specific site where the customer's project will be constructed and served by the electric company (the customer must own or have exclusive right to use the land); and (3) meet any other requirements specified under the rate schedule.

PSC must adopt regulations to carry out the requirements specified above by June 1, 2026.

EmPOWER Maryland Program

Under the EmPOWER Maryland Program, PSC must encourage and promote the efficient use and conservation of energy to achieve specified greenhouse gas (GHG) emission reduction goals and targets. To achieve these goals and targets, PSC must require each electric company and gas company to establish any program or service that PSC determines to be appropriate and cost-effective. The program is funded by ratepayers via a surcharge (the EmPOWER surcharge) on their monthly utility bills.

As part of the EmPOWER Maryland Program, beginning January 1, 2025, and by January 1 every three years thereafter starting in 2027, DHCD must procure or provide to low-income individuals energy efficiency and conservation programs and services, demand response programs and services, and beneficial electrification programs and services that are on a trajectory to achieve GHG reductions of at least 0.9% of a 2016 baseline after 2027, determined as specified. The requirement applies to the 2025-2033 time period. The reductions count toward the overall GHG emissions reduction targets under the EmPOWER Maryland Program.

Low Income Energy Efficiency Program

DHCD participates in the EmPOWER Maryland Program through two special fund programs: LIEEP and the Multifamily Energy Efficiency and Housing Affordability Program. LIEEP helps low-income households served by one of six participating utility companies in the State to undertake energy conservation projects in their homes at no charge. Approved program costs are recovered through a ratepayer surcharge (the EmPOWER surcharge) on customer bills.

Electric Universal Service Program

EUSP, which is administered by DHS, helps the State's vulnerable and traditionally underserved populations pay their electric bills, minimize crises, and reduce their electric costs. Benefits include bill payment assistance and arrearage retirement assistance. EUSP is funded through a combination of sources: (1) a ratepayer surcharge (the EmPOWER

surcharge) on electric bills; (2) an allocation of revenue generated by Regional Greenhouse Gas Initiative (RGGI) quarterly auctions for the sale of carbon dioxide emission allowances (budgeted through the Strategic Energy Investment Fund (SEIF)); and (3) when available, if needed, funds from the federal Low Income Home Energy Assistance Program. Subject to certain exceptions, at least 50% of RGGI proceeds received by SEIF must be allocated to an energy assistance account to be used for EUSP and other electricity assistance programs in DHS.

Certificate of Public Convenience and Necessity

Generally, a person may not begin construction in the State of a generating station, overhead transmission line, or a qualified generator lead line unless a CPCN is first obtained from PSC. The application process involves notifying specified stakeholders, public hearings, the consideration of recommendations by State and local government entities, and the project's effect on various aspects of the State infrastructure, economy, and environment.

PSC must take final action on a CPCN application only after due consideration of the recommendations of the governing body of each county or municipality in which any portion of the project is proposed to be located and the effect of the project on various aspects of the State infrastructure, economy, and environment.

Under State law, facilities with generating capacities of up to 2 megawatts generally do not require a CPCN. Section 7-207.1 of the Public Utilities Article specifies conditions under which a person constructing a generating station may apply to PSC for an exemption from the CPCN requirement; however, PSC must require a person who is exempted from the CPCN requirement to obtain approval from the commission before the person may construct such a generating station.

For more information on the CPCN process (under § 7-207 of the Public Utilities Article) and the approval process for a person who is exempted from the CPCN requirement (under § 7-207.1 of the Public Utilities Article), see the **Appendix – Certificate of Public Convenience and Necessity**.

State Fiscal Effect: Significant effects of the bill are discussed separately below, organized by State agency. Operational effects on any agencies not discussed below are assumed to be generally minimal and absorbable within existing budgeted resources. The effect on State expenditures for electricity is discussed in the Additional Comments section below.

Public Service Commission

The bill creates significant new and incremental requirements for PSC that cannot be absorbed within existing resources. Specifically, PSC must (1) establish and administer an interconnection process for large load customers; (2) calculate and assess fees on large load customers that must be paid to EUSP and LIEEP; (3) establish and administer the Demand Response Program; (4) adopt specified regulations; and (5) establish a measurement method to track the demand response performance of large load customers.

Accordingly, special fund expenditures for PSC increase by \$450,852 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring one public service engineer, one regulatory economist, and one fiscal accounts technician supervisor to handle the various duties described above. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and \$200,000 in costs for a consultant to provide technical assistance.

Positions	3.0
Salaries and Fringe Benefits	\$223,430
Consultant Costs	200,000
Other Operating Expenses	<u>27,422</u>
Total FY 2027 PSC Expenditures	\$450,852

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the termination of one-time consultant costs. Generally, PSC is funded through an assessment on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

Department of Natural Resources

DNR’s Power Plant Research Program (PPRP) anticipates that it will be involved in PSC’s efforts to standardize large load interconnections, as well as reviewing requests to interconnect to the electric system through the process established by PSC under the bill. As a result, PPRP requires additional staff to handle the anticipated increase in its workload.

In general, special funds from the Environmental Trust Fund are used to fund a significant portion of PPRP’s operations. PPRP also receives funding from SEIF in the fiscal 2027 budget as introduced (see the *Governor’s Fiscal 2027 Budget Books, Volume I*, p. 462). However, PPRP’s workload and costs have been increasing and, to the extent sufficient special funds are not available to cover PPRP’s costs to implement the bill, general funds may be required to cover a portion or all of the costs.

Accordingly, general/special fund expenditures for DNR increase by at least \$99,736 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring one power plant siting assessor to evaluate interconnection requests. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$90,595
Other Operating Expenses	<u>9,141</u>
Minimum FY 2027 DNR Expenditures	\$99,736

Future year expenditures – which reflect minimum costs incurred by PPRP – reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

DNR also anticipates needing to hire a consultant to assist PPRP with the review of interconnection requests under the bill. While DNR estimates such costs at \$300,000 annually, the Department of Legislative Services (DLS) advises that, without actual experience under the bill, the need for a consultant is unclear. To the extent a consultant is needed, general/special fund expenditures increase further.

Department of Human Services and Department of Housing and Community Development

The bill requires a large load customer that interconnects to the electric system to pay a fee of at least \$1,000 per megawatt of load to be served, with PSC authorized to set a higher amount. A large load customer must also pay any other applicable fees associated with the load study it must request before signing a contract to interconnect with the electric system (under existing law, this provision only applies to large load customers that have an aggregate monthly demand exceeding 100 megawatts). The bill further specifies that 50% of the fees collected under the bill must be used for EUSP, which is administered by DHS, and 50% of the fees collected must be used for LIEEP, which is administered by DHCD.

DLS advises that total fee revenues under the bill cannot be reliably estimated at this time, as data is not readily available on (1) the number of existing large load customers in the State; (2) projected growth of such customers in future years; (3) their expected load levels; or (4) the share of large load customers currently interconnected or likely to interconnect in the future.

Even so, special fund revenues for EUSP within DHS and LIEEP within DHCD increase potentially significantly beginning as early as fiscal 2027. *For illustrative purposes only*, if five large load customers in Maryland interconnect to the electric system, each with aggregate monthly demand of 30 megawatts (360 megawatts annually), and PSC sets the

fee at \$1,000 per megawatt of load to be served, annual fee revenues would total \$1.8 million, of which \$900,000 would be allocated to each EUSP and LIEEP under the bill.

Special fund expenditures increase correspondingly each year as DHS and DHCD use the additional revenue for EUSP and LIEEP, respectively, as required by the bill. Both DHS and DHCD can administer the increased funding for the affected programs with existing staff.

Maryland Energy Administration

Special fund (SEIF) expenditures for MEA increase by \$150,000 in fiscal 2027 only for MEA to hire a consultant to complete the study on surplus interconnection potential in the State and prepare the corresponding summary report.

Maryland Department of the Environment

The Maryland Department of the Environment (MDE) advises that to the extent the bill encourages large load customers to install nonemergency fuel-burning generators to serve as a permissible demand response, the department could face significant operational demands and associated fiscal impacts. According to MDE, generators participating in demand response programs must adhere to strict nonemergency emissions standards; therefore, large load customers installing such generators would likely need to obtain comprehensive major source air permits from MDE. MDE anticipates that the review of these permit applications would involve substantial technical complexity.

If the resulting workload proves significant, special fund expenditures for MDE (from SEIF and/or the Maryland Clean Air Fund) may increase to support additional staff or consultant services. Likewise, special fund revenues (for the Maryland Clean Air Fund) would increase from any associated permit fees. However, any fiscal impact on MDE cannot be reliably determined absent actual experience under the bill.

Small Business Effect: DHCD contracts extensively with small businesses to perform energy upgrade work in the homes of LIEEP participants. Accordingly, the increase in funding for LIEEP under the bill may result in an increase in the demand for the services of those businesses.

Additional Comments: DLS cannot advise on the bill's effect on electricity prices paid by electric customers, including the State, local governments, and small businesses. The bill contains several provisions that could put downward pressure on electricity prices, including (1) requiring large load customers to supply 25% of their own capacity; (2) requiring large load customers to participate in the Demand Response Program; and

(3) directing additional funding to EUSP and LIEEP (benefiting eligible households). Additionally, promoting the use of surplus interconnection for large load customers and studying the total surplus interconnection potential in the State may help to limit the need for new generation or transmission investments, the costs of which would otherwise be recovered from ratepayers.

Conversely, the bill may contribute to higher electricity prices if it leads additional large load customers to interconnect to the electric system or to do so sooner than they otherwise would have. This would likely increase overall electricity demand and could potentially require additional electric grid upgrades by utilities. According to PSC, the bill's requirement that large load customers be compensated for their ability to reduce electricity demand during peak times could also put upward pressure on electricity rates. PSC advises that the bill is unclear if the compensation paid to large load customers would have to be funded by ratepayers.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 940 (Delegate Charkoudian) - Environment and Transportation.

Information Source(s): Maryland Department of the Environment; Department of Housing and Community Development; Department of Human Services; Department of Natural Resources; Maryland Energy Administration; Office of People's Counsel; Public Service Commission; Maryland Clean Energy Center; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2026
js/lgc

Analysis by: Ralph W. Kettell

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – Certificate of Public Convenience and Necessity

General Overview

The Public Service Commission (PSC) is the lead agency for licensing the siting, construction, and operation of power plants and related facilities in the State through Certificates of Public Convenience and Necessity (CPCNs). The CPCN process is comprehensive and involves several other State agencies, including the Department of Natural Resources (and its Power Plant Research Program), and the Maryland Department of the Environment. Subject to limited exemptions described below, a person may not begin construction in the State of a generating station, qualified generator lead line, overhead transmission line designed to carry more than 69,000 volts, or certain energy storage devices unless a CPCN is first obtained from PSC.

State law provides that a “generating station” excludes:

- a facility used for electricity production with a capacity of up to 2 megawatts that is installed with equipment that prevents the flow of electricity to the electric grid during time periods when the grid is out of service;
- a combination of two or more co-located or adjacent facilities used for electricity production from solar photovoltaic systems or specified eligible customer-generators that have a maximum cumulative capacity of 14 megawatts, including maximum individual capacities of 2 megawatts (subject to satisfying other requirements); and
- a facility, or a combination of two or more facilities, used for electricity production for the purpose of onsite emergency backup for critical infrastructure when service from the electric company is interrupted and conducting necessary test and maintenance operations (subject to satisfying other requirements).

The CPCN process, detailed further below, involves the notification of specified stakeholders, the holding of public hearings, the consideration of recommendations by State and local government entities, and the consideration of the project’s effects on various aspects of the State infrastructure, economy, and environment.

In December 2020, PSC initiated a rulemaking (RM 72) to revise regulations governing CPCNs for generating stations. Updated regulations became effective in September 2021. Among other changes, the regulations contain additional information requirements – to assist in project evaluation – and allow for electronic submission and distribution of application materials.

Notification Process

Upon receipt of a CPCN application, PSC – or the CPCN applicant, if required by PSC – must immediately provide notice to specified recipients, including the executive and governing body of affected local governments, affected members of the General Assembly, and other interested persons. When providing the notice, PSC must also forward the CPCN application to each appropriate unit of State and local government for review, evaluation, and comment and to each member of the General Assembly who requests a copy.

Public Hearing and Comment

PSC must provide an opportunity for public comment and hold a public hearing on a CPCN application in each county and municipality in which any portion of the construction of a generating station, overhead transmission line, or qualified generator lead line is proposed to be located. PSC must hold the hearing jointly with the governing body of the county or municipality and must provide weekly notice during the four weeks prior to the hearing, both in a newspaper and online, and must further coordinate with each local government to identify additional hearing notification options. PSC must ensure presentation and recommendations from each interested State unit and must allow representatives of each State unit to sit during the hearing of all parties. PSC must then allow each State unit 15 days after the conclusion of the hearing to modify the unit's initial recommendations.

Public Service Commission Considerations

PSC must take final action on a CPCN application only after due consideration of (1) recommendations of the governing body of each county or municipality in which any portion of the project is proposed to be located; (2) various aspects of the State infrastructure, economy, and environment; and (3) the effect of climate change on the project. For example, PSC must consider the effect of the project on the stability and reliability of the electric system and, when applicable, air and water pollution. There are additional considerations specifically for a generating station or an overhead transmission line. For example, PSC must consider the impact of a generating station on the quantity of annual and long-term statewide greenhouse gas emissions and must consider alternative routes and related costs for the construction of a new overhead transmission line.

Exemptions Under § 7-207.1 of the Public Utilities Article

Section 7-207.1 of the Public Utilities Article specifies three conditions under which a person constructing a generating station may apply to PSC for an exemption from the CPCN requirement:

- the facility is designed to provide onsite generated electricity, the capacity is up to 70 megawatts, and the excess electricity can be sold only on the wholesale market pursuant to a specified agreement with the local electric company;
- at least 10% of the electricity generated is consumed onsite, the capacity is up to 25 megawatts, and the excess electricity is sold on the wholesale market pursuant to a specified agreement with the local electric company; or
- the facility is wind-powered and land-based, the capacity is up to 70 megawatts, and the facility is no closer than a PSC-determined distance from the Patuxent River Naval Air Station, among other requirements.

However, PSC must require a person who is exempted from the CPCN requirement to obtain approval from the commission before the person may construct a generating station as described above. The application must contain specified information that PSC requires, including proof of compliance with all applicable requirements of the independent system operator.

Exemptions Under § 7-207.4 of the Public Utilities Article

The Renewable Energy Certainty Act of 2025 (Chapters 623 and 624) establishes the Distributed Generation Certificate of Public Convenience and Necessity (DGCPCN), a certificate that PSC may issue – in lieu of a CPCN – to a person seeking to construct and operate community solar projects that have a generating capacity of 2 megawatts to 5 megawatts and meet other specified requirements. A DGCPCN carries the same force and effect as a CPCN while offering applicants a streamlined review process; however, until PSC begins accepting applications for DGCPCNs (likely in 2027), a CPCN will still be required to construct a community solar project.

As with the CPCN process, PSC must provide an opportunity for public comment and hold a public hearing on a DGCPCN application in each county where any portion of the project is proposed to be located.

Additional Information

For a more thorough discussion of the above topics, along with legislative history and recent data trends, see [*The Maryland Certificate of Public Convenience and Necessity*](#) on the Department of Legislative Services' website.