

**STATE OF MARYLAND
OFFICE OF PEOPLE'S COUNSEL**

Paula M. Carmody, People's Counsel

6 St. Paul Street, Suite 2102
Baltimore, Maryland 21202
410-767-8150; 800-207-4055
www.opc.state.md.us

BILL NO.: **Senate Bill 754**
Expansion of Area for Electric Generation
Requests for Proposals

COMMITTEE: **Senate Finance**

HEARING DATE: **March 20, 2012**

SPONSOR: **Senator Young**

POSITION: **Informational**

Senate Bill 754 would require the Public Service Commission (PSC) to consider all areas of the State when determining the need for new electric generation and would require electric companies to “refer to” generation capacity in all areas of the State in the submission of a request for proposals (RFP). The Bill appears to be in response to the recent issuance by the PSC of an RFP for generation facilities to be located in the Southwestern Mid- Atlantic Area Council (SWMAAC) Locational Deliverability Area.

In deciding to issue the RFP in question, the PSC considered a number of factors including projected need both statewide and in various “zones” of the PJM market. In particular, the PSC indicated concern that current market mechanisms such as the PJM Reliability Pricing Model (RPM) had failed to incent or attract new generation to the State to allay long term reliability

concerns. The PSC specifically noted that even though the average clearing price in the SWMAAC zone (the zone in which Pepco and BGE are located) is about double the price in the rest of the PJM regional transmission area, practically no new generation has been built in Maryland.¹ There is no indication that for the future the PSC will fail to consider the need for generation throughout the State. If the Commission determines that an RFP for new generating facilities is needed to ensure system reliability or to address local congestion costs, the RFP should be targeted to the appropriate geographic area or zones where the facility would meet those needs.

¹ See RFP for Generation Capacity Resources issued by the PSC in December, 2011. The RFP can be viewed on the PSC website in the docket for Case No. 9214. See www.psc.state.md.us.