

From: John R. Griffin
Secretary
Maryland Department of Natural Resources

Date: January 30, 2012

To: Patricia A. Hoffman
Assistant Secretary
Electricity Delivery and Energy Reliability
United States Department of Energy
<http://energy.gov/oe/congestion-study-2012>

Dear Ms. Hoffman:

On behalf of Governor Martin O'Malley, I, as Secretary of the Department of Natural Resources (DNR) have been requested to respond to the letter from the U.S. Department of Energy (DOE). The State of Maryland submits the following comments regarding inputs for DOE's 2012 Transmission Congestion Study:

1. To help evaluate transmission congestion in Maryland and the eastern portion of PJM, the State recommends that DOE review relevant studies from PJM Interconnection, LLC (PJM), including PJM's most recent Regional Transmission Expansion Plan and the *State of the Market Report* prepared for PJM by the Independent Market Monitor.¹
2. Maryland has not taken any direct actions to alleviate transmission congestion since the publication of the 2009 Study. The State has, however, engaged in certain activities that may lead to reduced transmission congestion in the region:
 - a. The Maryland Public Service Commission (PSC) is currently conducting an investigation regarding long-term reliability issues in the State and the desirability of having the State's Investor-owned Utilities (IOUs) enter into long-term power purchase agreements (PPAs) with new, gas-fired generation to be located in Southwest MAAC.² In 2011, the PSC made a preliminary determination that there is a potential long-term electric reliability threat for Maryland electricity consumers. If the PSC makes a final determination that new, natural gas-fired generation resources are needed for reliability purposes, it will require Maryland's IOUs to enter into one or more PPAs following the issuance of a Request for

¹ The *State of the Market Report* for PJM is published on a quarterly basis by Monitoring Analytics, LLC, the Independent Market Monitor for PJM.

² Maryland PSC Case No. 9214 – In The Matter of Whether New Generating Facilities are Needed to Meet Long-Term Demand for Standard Offer Service.

Proposals (RFP) for the new generation resources. While the fundamental purpose underlying the potential RFP is related to reliability, a concomitant impact may be a reduction in electric transmission congestion in Southwest MAAC.

- b. The Maryland Offshore Wind Energy Act of 2012 is an active bill in the current legislative session.³ If passed, it would require that 2.5 percent of Maryland's energy come from offshore wind resources beginning in 2017. It is anticipated that an off-shore wind project serving Maryland end-users would place downward pressure on transmission congestion in the eastern portion of PJM.
 - c. The EmPOWER Maryland Energy Efficiency Act of 2008 (EmPOWER Maryland) sets targets to reduce per capita energy consumption and peak demand by 15 percent by the end of 2015 relative to a 2007 baseline.⁴ The Maryland Public Service Commission estimates that in 2010, EmPOWER Maryland reduced electric energy consumption in Maryland by approximately 660,000 MWH and reduced peak demand by approximately 670 MW.⁵ In December 2011, the PSC ordered expansion and modifications to the Maryland utilities' energy efficiency and demand response programs for the 2012 through 2014 period, which will enable increased energy consumption and peak demand savings in Maryland. These actions are expected to exert a downward influence on transmission congestion costs in the State.
3. To gauge the significance of transmission congestion in Maryland, the State agencies have traditionally relied on the PJM *State of the Market Report*. Maryland State agencies have not independently developed estimates of transmission congestion affecting Maryland.
 4. There are several important obstacles to mitigating transmission congestion. These include:
 - a. The inability of independent power producers to obtain financing for construction of new generation facilities under a merchant model.
 - b. Mixed financial incentives for independent power producers who are able to construct new generation facilities without having to seek external financing, since these firms typically own existing generation and transmission resources

³ Maryland Senate Bill 237: <http://mlis.state.md.us/2012rs/billfile/SB0237.htm>.

⁴ Section 7-216 of the Public Utility Article, *Annotated Code of Maryland*.

⁵ The Maryland Public Service Commission, *The EmPOWER Maryland Energy Efficiency Act Standard Report of 2011* (Executive Summary).

that would be adversely financially affected by new power plant construction in congested areas.

Thank you for your letter to Governor O'Malley. If you have any further questions or comments concerning this topic, please do not hesitate to contact Sandi Patty of our Power Plant Assessment Program at (410) 260-8668 or by email at spatty@dnr.state.md.us.

Sincerely,
John R. Griffin
Secretary