SENATE BILL 334 – ELECTRICITY – STANDARD OFFER SERVICE – RENEWABLE ENERGY

UNFAVORABLE

SENATE FINANCE COMMITTEE
February 1, 2021

NRG Energy, Inc. ("NRG") submits these comments in **opposition** to **SB 334 – Electricity – Standard Offer Service – Renewable Energy.**

NRG is the leading integrated energy and home services company powered by its customer-focused strategy, strong balance sheet, and comprehensive sustainability framework. A Fortune 500 company, NRG brings the power of energy to millions of North American customers. Our family of brands help people, organizations and businesses achieve their goals by leveraging decades of market expertise to deliver tailored solutions. Our retail brands serve more than six million customers across North America, including here in Maryland, where NRG owns seven companies that are licensed by the Public Service Commission to serve retail customers.

NRG appreciates and supports the important public policy goal of encouraging the development of renewable resources encompassed in SB 334. However, the best way to achieve that goal is to continue Maryland's long tradition of supporting that development through market-based incentives that have effectively encouraged renewable resource development for many years. Maryland's Renewable Portfolio Standards Act of 2004 established the initial structure of market-based incentives for renewable energy development. The legislature has increased those incentives over time and can continue to do so to facilitate further development.

NRG opposes SB 334 for the simple fact that it will irreparably harm the competitive market, force consumers to bear the investment risk better born by renewable resource developers' shareholders, introduce the possibility of stranded costs that Maryland customers will once again have to pay should any new investment prove uneconomic, diminish innovative choices for Maryland consumers, and set Maryland on a path to a regulated energy market. What's more, the bill enables the regulated utilities to receive compensation equal to 1% of the annual payments of any contract they sign to reward them for taking on the financial risk of the financial obligation of the long-term contracts. Finally, not only will the utilities be compensated directly for taking on the financial risk, but they will also be entitled to account for the purchase of energy from these contracts as a regulatory asset – enabling them to earn a return on that investment. All of this adds up to higher costs to consumers who have no choice but to pay for these costs.

Notably, the General Assembly has considered proposals to require Maryland's utilities to enter into long term power purchase agreements with renewable energy developers multiple times over the last decade and it has wisely declined to adopt this policy. And Maryland is not alone – the City Counsel of the District of Columbia and the Pennsylvania General Assembly have similarly rejected proposals to burden their ratepayers with the financial risks associated with the development of renewable resources that are more appropriately borne by private market investors.

While long-term power purchase agreements (PPAs) may be a viable option between a willing buyer and a willing seller, government mandated PPAs are extremely disruptive to the competitive market. Requiring the utilities to engage in ten to twenty year PPAs runs counter to the way energy supply is procured in the competitive market. And the Commission has never approved an SOS supply contract longer than two years for any customer class since the adoption of customer choice two decades ago.

It is the competitive market that has driven the development of renewable resources and enabled consumers to choose to go green with their energy supply. As an example, one of NRG's retail companies, Green Mountain Energy Company, pioneered renewable energy for mass market customers. Green Mountain was the first retail supplier in the nation to offer green power products to residential customers and has served renewable products to mass market customers longer than any other retail supplier. Demand for renewable energy by Green Mountain customers led to the first utility scale wind power project in the Eastern U.S. – right here in PJM – the Green Mountain Energy Wind Farm in Garrett PA in 2000. We like to think we started the renewables revolution and we are certainly committed to seeing the adoption of renewable resources grow.

Maryland consumers have the ability to make their own decisions regarding energy either on their own or through clean energy aggregations. They have the ability to pay for the kind of energy they want, and they can choose the source. NRG strongly supports a competitive energy market that promotes innovation and better prices and services for consumers, including renewable energy choices. The current availability and fungibility of renewable energy resources and credits has worked well for Maryland customers from both an environmental and cost perspective.

Long-term power purchase agreements also force consumers to bear investment risk and drive up the price for electricity. Renewable Energy technology is constantly evolving and improving as the industry innovates and develops cheaper ways to produce electricity. Ten and twenty year contracts lock customers into the costs for those resources available at the time they are signed. As these resources continue to become more efficient – and cost less – customers will be stuck paying too much and will be prevented from benefiting from lower cost renewable sources that become available over time. Maryland already recognized the weakness of that model when it restructured the market to introduce competition more than two decades ago.

Finally, long term PPAs will reduce competition. Mandating such PPAs puts Maryland government in the position of picking winners and losers and effectively shutting various competitors out of the market for a decade or more. Reducing the number of participating renewable resources in today's market would limit the availability of diverse resources that exists today and increase costs. Inhibiting competition is ultimately bad for consumers as well as the environment.

Thank you for the opportunity to share our perspective on SB 334 and for the above reasons NRG urges the Committee give the bill an **unfavorable** report.

NRG Energy, Inc. Contact Information

Sarah Battisti, Director Government Affairs, NRG Energy, Inc., 804 Carnegie Center, Princeton, NJ 08540, 717-418-7290, sarah.battisti@nrg.com

Leah Gibbons, Director Regulatory Affairs, NRG Energy, Inc., 3711 Market Street, Suite 1000 Philadelphia, PA 19104, 301-509-1508, lgibbons@nrg.com

John Fiastro, Fiastro Consulting, 1500 Dellsway Road, Towson, MD 21286, 443-416-3842, john@fiastroconsulting.com

Brett Lininger, Kress Hammen Government Affairs, 204 Duke of Gloucester Street, Annapolis, MD 21401, 443-527-4837, brett@kresshammen.com