HOUSE BILL 910 – ENERGY STORAGE – TARGETS AND MARYLAND ENERGY STORAGE PROGRAM – ESTABLISHMENT

UNFAVORABLE

HOUSE ECONOMIC MATTERS COMMITTEE
March 2, 2023

NRG Energy, Inc. (“NRG”) submits these comments in **opposition** to **HB 910 – Energy Storage – Targets and Maryland Energy Storage Program – Establishment.**

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 200 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 public policy goal of encouraging the deployment of battery storage resources encompassed in HB 910. Battery storage functions like a distributed generation resource that can be dispatched to support the electric grid, that can serve as a back-up power source, and that is often paired with photovoltaic resources. Importantly, battery storage resources are being developed and deployed by *competitive companies*, with *shareholder* dollars. Maryland restructured its electricity market more than 20 years ago and the electric utilities are no longer in the business of generating electric power. There is simply no need to put Maryland’s regulated monopoly utilities back in the business of procuring generation resources.

NRG opposes HB 910 for the simple fact that it will:

- irreparably harm the competitive market,
- force consumers to bear the investment risk better born by battery storage 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.

The bill requires the Public Service Commission to establish a program to allow the regulated monopoly utilities to procure up to 3,000 MW of energy storage via long term power purchase agreements. As with all endeavors undertaken by regulated utilities, the utilities will be entitled to full cost recover for any contracts they execute – 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, recognizing that the cost of development of generation resources 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 enter into PPAs runs counter to the way energy supply is procured in the competitive market.

It is the competitive market that has driven the development of alternative generation resources and enabled consumers to choose to the source of their energy supply.

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 battery storage resources.

Long-term power purchase agreements also force consumers to bear investment risk and drive up the price for electricity. Battery storage technology is evolving and improving as the industry innovates and develops cheaper and more efficient ways to produce batteries. Long term PPAs 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 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 alternative 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 HB 910 and for the above reasons NRG urges the Committee give the bill an **unfavorable** report.

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