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Energy and Technology Committee

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**SB 450 - An Act Concerning Energy Conservation And Renewable
Energy**

NRG is pleased to provide the following comments on SB 450 - An Act Concerning Certain Electric Utility Powers and Investments. My name is Jonathan Gordon Senior Manager, External Affairs of the Northeast Region for NRG Energy, Inc. NRG is a competitive wholesale generator in Connecticut with power plants located in Montville, Middletown, Norwalk, Devon, Cos Cob, Torrington, and Branford. We operate over 2,000 MWs in Connecticut, enough power to serve over 1.4 million households.

NRG opposes Section 20 of the draft bill, which would allow the utilities to own and operate generation as the sole-source developer and would therefore permit development of this generation without any competitive solicitation process that would otherwise ensure that the most efficient and lowest price resources are secured for ratepayers. NRG fully supports initiatives aimed at improving energy efficiency and providing new, Connecticut-sited renewable and distributed energy options that provide measurable benefits to Connecticut consumers. However, NRG opposes the provisions

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in SB 450, which would authorize electric distribution companies (“EDCs”) to own and operate generation facilities within the state on a cost of service basis, without first establishing, through a competitive solicitation process that this cost of service structure is the lowest cost renewable generation option.

A well designed competitive bid process is best way to ensure that generation projects providing the greatest benefit to consumers get built. A competitive RFP process conducted by the PURA for renewable generation allows the state to select renewable energy generation projects based on need and ratepayer benefit. Another alternative would be a PURA managed RFP process where the EDCs would compete directly with competitive renewable generators for long term contracts. In fact, as directed by legislation that passed in 2007, the DPUC has completed a successful RFP process for long-term contracts for peaking generation on a cost of service basis. The DPUC approved nearly 530 MW of new peaking capability in this process, including 400MW of peaking generation through GenConn, a 50/50 partnership between NRG and United Illuminating.

Additionally, last year, Public Act 11-80 permitted utilities to own up to 10 MW of renewable generation, while at the same time requiring that the vast majority of renewables be competitively procured. In a solar RFP issued last year – with only two short weeks of notice – 21 proposals were submitted and the two projects selected will provide 10 MW of solar generation from private developers. Even in a compressed timeline, robust competition provided Connecticut with a number of attractive and cost-effective options. As Governor Malloy noted commenting on the RFP’s results “This selection process validates our new approach to energy policy in Connecticut... The fact that 21 projects – representing 70 MW of clean renewable power – applied under this program is a clear sign that entrepreneurs and clean technology innovators are excited

about the new approach Connecticut has taken.” Given the robust response, it is clear that private developers are ready, willing and able to provide cost effective, renewable energy to meet ratepayer needs and state policy goals. Competitive developers provide innovation and can protect ratepayers by managing the risks inherent with resource development. A utility cost of service model would shift most of that risk to ratepayers.

A competitively bid process is the only way to insure that ratepayers get the lowest priced, most efficient renewable generation. If utilities choose to compete in this process, there must be a level playing field for utilities and competitive generators. In this way, the state will be able to select projects on the basis of their impact on prices and consumer costs. Allowing the utilities to develop generation outside a competitive process is not in ratepayers’ best interest, because without that process ratepayers and regulators will not know that the lowest price generation was actually built.

Over the past six years, the legislature has carefully considered many options to meet Connecticut’s need for new generation. In 2005, the legislature passed the Energy Independence Act, which among other things created a competitive process for procuring peaking and baseload generation. Utilities were authorized to participate in this process but chose not to do so. In 2007, the legislature passed a comprehensive bill that included a competitive process to develop cost of service peaking generation, which could be developed by the utilities if their projects are in the best interests of ratepayers. Both utilities and competitive suppliers participated in this competitive process before the DPUC. Indeed, NRG participated in this process through a joint-venture with UI and has subsequently constructed highly efficient, new in-state peaking generation in Connecticut.

Put simply, there is no place for new legislation that provides additional opportunities for cost of service utility generation without a determination of need and a competitive process that ensures that the lowest cost generation is procured. The legislation drafted by this committee and passed in 2005 and 2007 includes these protections for the state's consumers and led to a very robust competitive bidding process that ultimately led the construction of needed new generation in Connecticut which is now providing significant benefits to Connecticut.

The electric distribution utilities were given ample opportunities to develop generation and chose not to participate in a competitive process. The Legislature has deliberated over this issue for the past 6 legislative sessions and has developed processes that are working to ensure that Connecticut builds the generation that is needed, that does not favor any one company (whether utility or otherwise), and that safeguards consumers by insuring that only the lowest cost projects are selected. The utilities should remain focused on participating in the current processes established by the legislature as well as completing the appropriate infrastructure projects for which no lower cost nontransmission alternatives are available. These infrastructure projects should reduce congestion costs associated with current supply/demand constraints, while also providing the conduit for integrating future generation capacity that will be built within the State.

NRG urges the legislature to reject SB 450 and require that all generation in Connecticut be secured through a competitive bidding process that will provide a level playing field for all market participants, and result in long term contracts or other payment mechanisms for investment in generation. These are the keys to getting the cleanest and most efficient and cost effective generation for Connecticut Ratepayers. The state can select the projects based on need and ratepayer benefit. Competitively bid processes is the only method to insure that ratepayers get only the lowest

priced, most efficient generation with no risk of utility stranded costs. In this way, the state will be able to select projects on the basis of their impact on reliability and consumer costs, and Connecticut citizens will have confidence that the state has chosen the best priced offer for the type of generation needed. A law affording one company or one class of companies the ability to develop generation outside a competitive process, while at the same time excluding other market participants, is inefficient and not in ratepayers' best interest. Not only does this framework encourage the construction of ratepayer subsidized generation that may be unnecessary and beyond the identified needs, but Ratepayers cannot be assured that the lowest cost capacity is constructed if a competitive RFP process is not employed.

As in the past, NRG stands ready to work with you to address these issues and move Connecticut forward. Thank you for providing NRG the opportunity to provide comments today.