COMMENTS OF NRG ENERGY, INC.
BEFORE THE CONNECTICUT GENERAL ASSEMBLY
ENERGY AND TECHNOLOGY COMMITTEE
FEBRUARY 7, 2017

Good afternoon. My name is Dan Hendrick. I am Director of External Affairs for NRG Energy, Inc. ("NRG"). I'd like to thank you for the opportunity to offer our perspective on Senate Bill No. 106, *An Act Concerning Zero-Carbon Electric Generating Facilities and Achieving Connecticut's Greenhouse Gas Emissions Mandated Levels.*

NRG is the largest independent power producer in the United States, with over 50,000 MW of generation capacity, more than 3 million retail customers and one of the largest portfolios of wind and solar generation. In Connecticut, NRG operates twenty-eight generating resources with a total summer peak capability of approximately 1,900 MW (925 MW of which is dual-fuel capable). NRG strongly supports clean-energy resources and technologies critical to Connecticut's transition to a more sustainable future. Our company goals of reducing carbon emissions 50 percent by 2030 and 90 percent by 2050 are some of the industry's most aggressive and substantive, placing NRG at the forefront of sustainability efforts across the country.

NRG has invested millions in recent years to improve the capabilities and environmental performance of our New England fleet. A great example of that is our Canal plant, where we are adding high-efficiency, fast-start generation that will play a key role in balancing the intermittent wind and solar energy coming on-line in the region in coming years. On the grounds of our Canal plant, we are finishing development of a 1.1 megawatt community solar farm, which will provide hundreds of local residents access to clean, renewable energy.

NRG's investment at Canal underscores the fact that the markets are working properly. Reliable, fast-response, modern and cleaner resources are coming on line – financed at NRG's own risk, and built on the strength of the competitive market.

Contrast that with Senate Bill 106, which would effectively re-regulate the supply of wholesale energy and take us back to the days of monopoly generators who are not subject to competitive pressures for efficiency and pricing, and who have strong incentives to maximize their investments and costs, with Connecticut ratepayers to foot the bill.

It is interesting and ironic to be in this room today where NRG and Dominion stood side by side for many years, in these very same seats, in opposition to out-of-market contracts. Today, this legislation contemplates just that – a ratepayer that all available information suggests Dominion doesn't actually need, and which Dominion has done nothing to justify.

A fixed, out-of-market contract is bad for a whole host of reasons – not just for every other generator other than Dominion, but also for the very wholesale markets that are providing some of the lowest-cost power in many years, and the consumers that benefit from the efficient operation of the daily energy markets and the efficient incentives for generators to invest or retire, using their shareholders money and not the ratepayers'.

First, Dominion insists that it just wants to compete. Let me be clear: Millstone already competes, every day, just like NRG and every other generator. If Senate Bill 106 is modeled along the lines of last year's proposal, it would in fact, be anti-competitive, by re-regulating up to half of Millstone's energy output. And by having a fixed contract, this bill would allow Dominion to bid lower than its competitors, particularly in the capacity market, and artificially drag down revenues that could then put resources that are currently economic at risk. Once you start subsidizing resources that can't compete in the market on their own, you're on a slippery slope because the remaining resources have to survive in a shrinking market, and will ultimately need subsidies themselves. The end result being that Connecticut consumers will once again bear the risk of poor investment decisions and pay the price of inefficiencies brought about by the diminution of competitive market incentives.

Meanwhile, units like those in NRG's fleet are absolutely critical for reliability. NRG employees – including some from our Devon, Middletown, Montville and Jet Units who are here today -- keep the lights on during the most critical times, during the hottest and coldest days of the year and during outages of other plants. Our units also provide fuel diversity to ensure Connecticut isn't over-reliant on any one fuel source.

Just last week, ISO-New England released its 2017 State of the Grid analysis and its president warned that out-of-market subsidies like those being discussed right now will negatively impact both new and existing generators. ISO's president warned, and I quote: *"In the cost-of-service system before industry restructuring, all resources were allowed to recover their costs plus a rate of return. Such a system will undermine the benefits of competition and deter the investments needed to maintain resource adequacy."*

Finally – and I think this is the most important point – Dominion is presenting the General Assembly with a false choice. They have telegraphed that Millstone is facing hard economic times and may be at risk of closure.

But ISO-NE has a process to address uneconomic units, as part of the comprehensive wholesale market structure that governs economically efficient entry and exit of generating capacity in the New England region. The critical question to ask is why Dominion seeks to circumvent a proven and transparent process used by other generators, in favor of creating a one-off deal for themselves?

And let's put to rest the idea that Millstone could shut down any time soon. Millstone is committed to the ISO-NE market through at least May of 2021, based on yesterday's forward capacity auction. There is no indication that Millstone made any attempt to signal its 'price to exit,' despite the dramatically lower price in this auction compared to recent years. Where is the proof that the plant is not economically viable and in need of any kind of payout from consumers?

As this committee knows, Connecticut has some of the highest electric rates in the country. Instead of re-regulating a quarter of the state's energy market, and risking locking Connecticut into a costly, non-competitive deal, we ask you to stay the course and decline any further consideration of a nuclear subsidy. In our view, Millstone is seeking a payout it doesn't need, which will burden Connecticut consumers with unnecessary costs, erode the competitive functioning of the ISO-NE markets, and have long-term negative consequences for consumer costs and competitive investment.

Respectfully submitted,

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