



**Connecticut General Assembly
Energy and Technology Committee**

NEPGA Testimony

***SB 882, An Act Concerning Climate Change Mitigation
and Home Energy Affordability***

SB 952, An Act Concerning Certain Solar Energy Projects

March 4, 2021

The New England Power Generators Association (NEPGA)¹ appreciates the opportunity to provide written testimony on SB 882, *An Act Concerning Climate Change Mitigation and Home Energy Affordability* and SB 952, *An Act Concerning Certain Solar Energy Projects*.

SB 882 would require Connecticut to fully decarbonize its electricity supply by 2040 as part of the state's broader mandate to reduce greenhouse gas (GHG) emissions and address the impacts of climate change, among other provisions. NEPGA wishes to offer its perspective on the most cost-effective and efficient ways to achieve the bill's important objectives to enable and support a decarbonized economy in Connecticut, and across New England.

In addition, NEPGA opposes SB 952, which would allow electric distribution companies (EDCs) to own one or more solar power electrical generation facilities up to an aggregate of 150 MW from July 1, 2021 to July 1, 2024. Utility ownership of solar resources undermines the principles of electricity industry restructuring.

NEPGA is the trade association that represents competitive electric generating companies in New England. NEPGA's member companies account for over 90% of all generating capacity throughout New England – and over 8,000 MW in Connecticut. NEPGA companies provide thousands of well-paying, highly skilled jobs to the state's workforce, pay millions of dollars in taxes to the state and its cities and towns, and contribute millions of dollars in income taxes paid by employees.

¹ The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

SB 882

NEPGA fully supports Connecticut's goal of addressing climate change. Meeting these objectives will require a coordinated effort across sectors of the economy. The electricity sector has been a leader in driving down emissions. With continued improvements, the electricity market can enable and power a decarbonized economy that maintains a bedrock foundation of reliability and competitive costs. It is therefore important to consider SB 882's objectives in the context of the region's competitive wholesale electricity markets.

For more than 20 years, Connecticut has relied on the competitive markets to produce a reliable supply of electricity at least cost. Market forces drive innovation and efficiencies, providing not only value to consumers, but also critical support to Connecticut's economy. Since 2004, wholesale energy prices have declined by a remarkable 51%. That means that a dollar spent on electricity supply in 2004 costs only 49 cents today. In fact, the average annual wholesale electricity price in 2019 was \$30.67/MWh, the second lowest price since full implementation of the region's competitive markets in 2003.² While other portions of a typical Connecticut electric customer's utility bill have increased over the years, wholesale energy price reductions have translated to real savings for Connecticut's consumers.

Market competition has also helped cut GHG emissions in Connecticut and in the other New England states, resulting in a cleaner, more efficient fleet of generating resources. Since 1990, carbon dioxide (CO₂) emissions from power plants in Connecticut have dropped by 45% and declined by 50% since the emissions peak in 1997, right before Connecticut enacted its restructuring law.³ Since 1999, the efficiency for power plants in New England improved by 22%, roughly the equivalent of needing just four power plants today to provide the same amount of electricity output as five plants roughly 20 years ago. In 2000, 40% of the electricity produced in New England was generated from coal and oil resources; today, coal and oil plants together account for less than 1% of the region's resource mix.⁴

With this as a strong foundation to build upon, more can and should be done to further reduce carbon emissions in response to the threat of climate change. The issue now is how to achieve SB 882's zero-carbon target while preserving the benefits of competition and leveraging the collective power of New England as a region, rather than a more costly state-by-state go-it-alone approach.

The future wholesale market design should ensure continued reliability at competitive market pricing, but also meaningfully account for the carbon intensity of a given resource – an element that is currently missing from today's wholesale markets. The focus must always be to maintain reliability, and should therefore better value firm,

² <https://isonewswire.com/2020/03/18/new-englands-wholesale-energy-market-reaches-historic-low-in-2019/>

³ <http://www.eia.gov/environment/emissions/state/>, released October 23, 2019.

⁴ <https://www.iso-ne.com/about/key-stats/resource-mix>

dispatchable resources that will become even more important as more weather-dependent renewable resources enter the system.

These issues cannot be met by one state in isolation. And it is for that reason that NEPGA agrees with the Department of Energy and Environmental Protection's recommendation in its 2020 Draft Integrated Resources Plan on the need to pursue an improved regional wholesale electricity market. NEPGA and other stakeholders are now actively working on developing a long-term solution to help Connecticut and the other New England states meet their energy and climate-related obligations. This is happening through many forums, including the state-led New England Energy Vision process, which began this year.⁵ These ongoing regional forums are focused on designing a wholesale market that can leverage the cost and reliability benefits of the competitive markets while also addressing Connecticut's climate mandates.

But the focus must also be on linking electricity with other sectors of the economy, in part because it is electrification that holds such promise for decarbonization in transportation and heating. It is also, however, because it is those sectors – transportation and heating – that today make up the bulk of Connecticut's emissions. Drastic emissions reductions must be made to achieve the targets of SB 882. To meet this challenge in a harmonized manner, NEPGA has long advocated for a multi-sector carbon price, one that not only addresses power sector emissions, but also those from the transportation and buildings. There may be other market-based solutions for meeting Connecticut's climate mandates, and NEPGA commits to playing a constructive role in discussions for the best one that meets the region's needs.

Connecticut has been, and will be, a leader in meeting the climate challenge. NEPGA believes that to take the next step requires regional collaboration and a multi-sector decarbonization link. NEPGA urges the Committee to keep this regional and broader economic context in mind as it considers the implications of SB 882. The path forward is a challenging one, but there is an opportunity to chart a future that maintains the benefits of the competitive markets coupled with the promise of future innovations.

SB 952

NEPGA opposes the provisions in SB 952 that would authorize Connecticut's EDCs to own one or more solar facilities up to an aggregate of 150 MW and to recover the costs and investments from their ratepayers. Allowing utility ownership of generation resources runs counter to the principles of electricity industry restructuring that were enacted by the General Assembly over 20 years ago. In addition, SB 952 would needlessly stifle opportunities for a growing industry, undercutting companies that seek to compete for an opportunity to develop the most innovative and cost-effective solar resources at the lowest cost for Connecticut's consumers.

In the late 1990s, Connecticut enacted legislation to restructure the electricity industry for the benefit of consumers. Prior to restructuring, the monopoly electric utilities that

⁵ www.newenglandenergyvision.com

owned and operated generating facilities were largely insulated from competition and could rely on ratepayers to finance generation facilities through utility rates, effectively guaranteeing cost recovery and a rate of return. Utilities had little or no incentive to build and maintain efficient and cost-effective generation resources to reliably supply the region's electricity needs.

Once Connecticut's restructuring act was implemented, utilities divested themselves of their generation assets to focus on transmission and distribution services. Restructuring also introduced competition between generators for more cost-effective and efficient outcomes and shifted risk from utility ratepayers to private investors. Competition in the region's wholesale electricity markets has resulted in significant cost savings to Connecticut's consumers and provided the incentives for developers to pursue innovative energy solutions.

SB 952 would undermine the purposes of restructuring by allowing EDCs to own solar generation and to recover their investments from ratepayers. With no incentive to compete, ratepayers would be exposed to the very inefficiencies and risks that restructuring was designed to avoid. It would be different if SB 952 were aimed at serving an identified gap in the market. However, the bill identifies no such need, and instead gives EDCs broad authority to own solar facilities counter to the objectives of restructuring and the benefits that Connecticut's consumers have derived from the competitive markets.

Conclusion

As Connecticut seeks to further decarbonize its electricity supply, NEPGA urges it to allow the current regional efforts to better align the state's energy and climate-related laws with the competitive markets. Such an approach would provide Connecticut with a long-term, cost-effective, and efficient means to meet the mandates contemplated by SB 882. In addition, NEPGA urges the Committee to amend SB 952 by striking those provisions that allow EDC ownership of solar facilities, which needlessly undermine the purposes of restructuring and the benefits of the region's competitive wholesale electricity markets.

NEPGA stands by to provide the Committee with more information as needed. Thank you for the opportunity to provide this testimony.

Respectfully,



Dan Collins
Director of Government Affairs