



**Joint Hearing Senate, Environmental Resources and Energy and Consumer Affairs Committee**

**February 27, 2023**

**10am**

**Main Capitol, Harrisburg Pennsylvania**

NRG Energy, Inc. (“NRG”) submits this testimony for the record of the joint hearing between Senate Environmental Resources and Energy and Consumer Affairs Committee

Thank you, Chairman Yaw, Chairman Stefano, Chairwoman Comitta, Chairwoman Boscola and Committee Members for allowing NRG to share its perspective with you today.

NRG is an integrated energy and home services company and an active participant in Pennsylvania’s competitive wholesale and retail energy markets. We are a Fortune 200 company powered by a customer-focused strategy, strong balance sheet, and comprehensive sustainability framework. NRG leverage’s decades of market expertise to deliver tailored solutions to consumers through our family of brands.

On the wholesale side, NRG owns 18 generating assets in 7 States, including some in PJM. In Pennsylvania, NRG employees operate (but does not own) the Keystone and Conemaugh plants in Indiana County. NRG owns or controls generation elsewhere in the PJM footprint and in adjacent markets that can be imported into the PJM market. We actively participate in the organized markets administered by PJM, including the PJM capacity market.

On the retail side, our retail brands serve more than six million customers across North America, including many here in Pennsylvania, where NRG owns nine companies that are licensed and regulated by the Public Utility Commission to serve retail customers. In fact, NRG’s retail electric companies serve as much, or more, Pennsylvania customer load as Duquesne Light, and three of the First Energy utilities. With offices in Pittsburgh and Philadelphia, NRG has approximately 500 employees across the Commonwealth.

Competitive markets are at the heart of what we believe in at NRG. And Pennsylvania’s retail consumers have been reaping the benefits of competitive markets since 1996 when consumers were empowered to choose their electricity provider. At the retail level, Pennsylvania residents and businesses can shop for the products and lock in pricing that works best for them. When customers shop for their electricity and choose a fixed rate, they are protected from volatile wholesale energy markets. Load serving entities, like NRG, take on the risk of providing fixed price power to our customers. NRG urges the committee to evolve the market rules to protect consumers by increasing transparency so that customers understand exactly who their supplier is by enabling supplier consolidated billing. This has the added benefit of giving customers access to more value-added products and services. We also encourage the legislature to look at ways to evolve default service to unlock more competition and innovation for consumers.

At the wholesale level, competitive market structures correctly shift the cost and risk for building new generation to developers and their shareholders instead of placing it on the backs of the captive ratepayer. Once built, wholesale generation must then compete on price to be able to dispatch, with the lowest cost generation being chosen daily to serve the load. Pennsylvania's electricity rates that were once 15-20% above the national average are now consistently below the national average. (According to the EIA data, average retail rates in 2021 : PA: 9.9 cents/kwh, NJ: 14.01 cents/kwh, MD: 11.48 cents/kwh, NY: 16.11 cents.) NOx, SOx and Carbon emissions have plummeted in PA and PJM as significant investment in cleaner natural gas plants, along with renewables and demand response have entered the market—much of which is right here in Pennsylvania.

Another facet of the energy landscape in PJM is the capacity market, the tool by which PJM ensures that there will be enough “steel in the ground” to meet consumers' electricity demand. Typically, PJM projects its needs up to three years forward and then procures commitments from a variety of resources, including coal, nuclear, and gas plants; wind and solar; demand response, and energy efficiency to meet demand. Consumers pay for these commitments like they pay for insurance; generators are obligated to be available when called upon. Pennsylvania capacity resources often compete in the same market with out of state resources.

The latest test of the capacity market was just this past Christmas. Happily, Winter Storm Elliot (WSE) did not impact the average consumer's service, but it came very close. C&I customers who had previously committed to serve as demand response reduced their usage consistent with their commitments, and—as you heard earlier—PJM sent out a region wide conservation notice to consumers on December 24 that ended on December 25. It is important to note that after the polar vortex of 2014, PJM and the PUC put in place new rules to support the markets and consumers during these types of weather events – which resulted in consumers seeing no notable price impacts this time around.

Earlier, you heard the details that led up to the electric system issues in Elliott: Fast dropping temperatures, missed load forecasts, unavailability of natural gas, and equipment outages. We are fortunate so many customers acted to support system reliability, either in the form of demand response or conservation by conscientious consumers. But there is plenty of room for improvement. We think it is worth looking at: 1) weather and load forecasting to find gaps and appropriate policies to address likely extreme events; and 2) the appropriate balance of “carrots” to incent electricity resources to be available with the right “sticks” for when they are not. This is also another opportunity to revisit gas/electric coordination and reliability as it relates to retiring plants and replacement projects.

I want to again thank the Committee Leadership and members for holding this hearing today and I look forward to future discussion. I am happy to take any questions