

Ohio House Public Utilities Committee
Written Testimony in Opposition to HB 247
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My name is Lindsay Cervenak and I am the Regulatory Affairs Manager for NRG Energy Inc. (“NRG”). NRG respectfully appreciates the opportunity to provide written testimony to the House Public Utilities Committee, in opposition to House Bill (HB) 247, legislation that moves Ohio away from competitive markets that provide lower cost to consumers and spur innovation.

NRG’s retail affiliates have been serving millions of customers of all sizes across the U.S. for more than 20 years. NRG is an industry leader in promoting competitive energy market policies that deliver low-cost competitive benefits to consumers

NRG is a leading integrated power company built on diverse generation assets and a dynamic retail portfolio. A Fortune 500 company, NRG brings the power of energy to consumers by producing, selling and delivering electricity and related products and services to consumers in competitive markets across the U.S. and Canada, as well as 23,000 MW of electric power generation including nuclear, coal, gas, oil and solar nationwide. Our retail brands serve more than three million customers across nineteen states and provinces, including Ohio where we have several licensed retail electricity suppliers¹ that are actively serving residential, commercial, industrial and institutional customers. NRG’s retail companies offer customers a range of products including demand response, energy efficiency and 100% renewable energy. NRG also offers consumers bundled energy plans with options for energy efficiency technology, such as Nest thermostats, as well as loyalty rewards and our charitable giving products through our “Choose to Give” plans.

HB 247 vastly expands the services that can be provided by the regulated monopoly utilities to those services that are currently – and more appropriately – provided by competitive retail suppliers and other third parties in the competitive market. This expansion of the monopoly utilities’ role will disadvantage Ohio consumers by prohibiting cost competitive services and innovative products. HB 247 will also cause irreparable harm to competitive markets and the private companies who have invested their own shareholders’ dollars to offer to Ohio consumers the very “customer

¹ Currently there are five NRG retail companies serving customers in Ohio, Reliant Energy Northeast LLC d/b/a NRG Home, Energy Plus Holdings LLC, Energy Plus Natural Gas LLC, XOOM Energy Ohio, LLC and Stream Energy Ohio, LLC.

focused energy service and products” envisioned in HB 247. NRG urges the Committee to continue to rely on the competitive retail market to deliver the consumer services envisioned by HB 247.

Ohio has a long history of supporting open and competitive electricity markets, starting with the deregulation of the market in 1999 (SB3, 123rd G.A.). The Ohio General Assembly adopted this competitive policy to ensure the diversity of electricity service and suppliers as well as provide consumers with a choice for both service and cost. The General Assembly wisely determined the value of competition encourages innovation and cost-effective electricity service and supply for consumers. The Public Utility Commission of Ohio (“PUCO”) recently began to implement the PowerForward initiative to review the latest in technological and regulatory innovation that will serve to enhance the consumer electricity experience and chart a path toward the future of grid modernization projects, innovative regulations and forward-thinking policies. Competitive retail electric service suppliers have been actively involved throughout this initiative and will serve an important role in the success of this project. HB 247 would greatly hinder the success of those efforts and the viability of Ohio’s competitive electricity market.

HB 247 harkens back to an antiquated regulatory market that was neither innovative nor generated cost-effective consumer choice. HB 247 is similar to pre-1984 government policies that protected the regulated telephone monopoly from free market competition. The breakup of Ma Bell regulated monopoly ushered in the modern cell phone market, now the vast majority of consumers have access to mobile phones at price that meets their needs. The competitive energy market in Ohio needs to be unleashed not further constrained if we want the true benefits of competition which keep costs low and spurs new innovation. Think about the cell phone you have in your pocket, the options, the carriers, the apps, the service plans the possibilities are almost endless. The current telecommunications market empowers consumers to manage their telecommunications and data decisions, choosing what is best for their individual needs, as well as their family or business needs. HB247 moves the Ohio energy market for consumers backward, as if we were turning cell service back over to Ma Bell government protected monopoly.

NRG’s concern with HB 247 focuses on the following three key points:

Rely on Competitive Markets to Deliver Consumer Focused Energy Service & Products

Competing to deliver innovative solutions tailored to the unique needs of individual customers – based on what *they* want – is a core component of business of NRG and other competitive retail electricity suppliers. Consumer needs and desires evolve quickly and are best met through the innovation that only competition can deliver. Technology evolves quickly, the regulated utility model is simply too slow to adapt to the ever changing consumer needs and technological advances. In contrast, competitive retail suppliers have much stronger incentives, as well as the

appropriate entrepreneurial mindset, to develop innovative ways to assist customers in taking advantage of the unique opportunities. Competitive Retail Suppliers ability to offer Distributed Energy Resources (DERs) (including battery storage), Electric Vehicles (EVs), and similar technology designed to improve efficiency and reliability is the current cutting edge of energy innovation. Indeed, one of the largest barriers (along with costs, which are falling quickly) to deploying these new systems is the utility's lock on the supplier-customer relationship. The best attribute of a free and competitive market is if a retail electric supplier's services do not meet customer desires, the customer will simply switch suppliers. There is no such similar incentive for the utilities to react to customer needs in this manner or seek out the most cost-effective means to provide a competitive service. HB 247 should rely on a competitive market to deliver innovative solutions, including all those services identified as "customer-focused energy service or products" in HB 247. The legislature – and, most importantly, consumers – can then be certain that customers will get the best price and the best value for those products. HB 247 as drafted is a step backward, since there is simply no need for the electric distribution companies to begin offering customer-focused energy services and products as they are already available to consumers in the competitive market.

NRG provides many of the customer-focused energy service products envisioned in HB 247 to our customers in Texas. Our Texas affiliate, Reliant, offers Security by Reliant, that gives our customers around the clock home protection. Reliant also offers Home Services, which takes care of AC, heating and electrical system repairs, and Power on the Go service which includes charging stations around town to make charging mobile devices easier. On a larger scale, NRG partnered with the Texas Medical Center ("TMC") to create a cost-effective energy plan without compromising reliability. For TMC, we were able to aggregate its load with other large businesses in the area to secure better pricing throughout the length of its contract. TMC is on track to save nearly \$1 million over the next four years, all while keeping the power flowing for the more than 10 million patients that depend on it each year. NRG is focused on providing service that exceeds customer expectation. NRG's solutions are designed to meet the unique needs of each customers.

Regulated Utility Interjection in Competitive Markets Harms Consumers

NRG urges the committee to amend HB 247 through instituting Supplier Consolidated Billing, to allow private companies, such as NRG, who already have experience providing competitive and innovative energy services to consumers. HB 247 puts competitive-companies at a distinct disadvantage and will drive development by private companies out of the market. If companies, like NRG, are driven out of the market, consumers will no longer have options or the ability to shop for what they want. They will only have the one option of what the utility offers.

In addition, while HB 247 attempts to restrict the recovery of the "incremental costs directly related" of "Customer-focused energy services and products" from being included in rate base, the

bill fails to recognize the many “indirect” costs that will necessarily be incurred by the utilities to provide these services and which can be easily lumped together with all of the other “indirect costs” born by the utility that are routinely recovered through distribution rates. HB 247 leaves the door wide open for the PUCO to consider possibly rate basing these costs in the future, the result is that all customers would potentially pay for these products and services, whether they want them or not – and all customers would subsidize the cost of such services to those customers that choose them.

Enable Supplier Consolidated Billing to Encourage Consumer Focused Services

HB 247 should promote competition and diverse access for energy services to all consumers. HB 247 should remove those provisions that grant a monopoly to some companies to the detriment of consumers and private sector companies. HB 247 should provide competitive retail suppliers the ability to offer a consolidated bill to their customers. Ohio law limits competitive suppliers to the inclusion of commodity charges on utility bills.² This limitation results in fewer of the types of products and services envisioned in HB 247 from being available to Ohio consumers – as suppliers cannot bill for these services.³ Supplier Consolidated Billing (“SCB”), enables competitive retail suppliers to establish a direct relationship with their customers, offer tailored products, plans and services to each individual customer’s needs, and include all charges on a single, consolidated bill. HB 247 should encourage the implementation of SCB to enable competitive suppliers to deliver the various “consumer-focused services and products” envisioned in HB 247.

NRG is focused on meeting consumer demand by delivering innovative solutions that meet our customers’ unique needs. HB 247 places the consumer needs second by creating an unnecessary monopoly on energy service that will neither provide competitive cost for consumers nor deliver innovation.

NRG appreciates the opportunity to submit written testimony about this very important issue and looks forward to working with HB 247 Sponsor Representative Stein, Chairman Callender, Vice-Chair Wilkin, Ranking Member Smith and the members of the House Public Utilities Committee to develop market-based solutions to serve Ohio consumers energy needs.

² Two utilities currently have SCB pilots that are in different stages of implementation. These pilots limit both the number of customers that may participate and in some cases the number of suppliers that can participate. The main shortcoming of these pilots is that suppliers are not being granted access to the same tools used by the regulated utilities to manage their bad debt. The PUCO already has SCB rules (Ohio Administrative Code 4901:1-21-18) in place that could be utilized, but there is no requirement on the monopoly utilities to implement the business processes to enable SCB.

³ Customers overwhelmingly prefer a single bill for all their energy needs, and generally reject the idea of being billed separately for these types of value-added services, which is both confusing and inconvenient.