Ohio House Energy & Natural Resources Committee
Written Testimony in Opposition to Substitute House Bill 6
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NRG Energy appreciates the opportunity to provide written testimony to the House Energy & Natural Resources Committee in opposition to Substitute House Bill 6.

Along with 98 other opponents, we provided written testimony to the Subcommittee on Energy Generation in opposition to the as-introduced version of House Bill 6. The substitute now under consideration not only moves Ohio away from low-cost, competitive energy markets but sets Ohio on the path toward a fully re-regulated electricity supply market that will eliminate choice for Ohio customers.

The goal of the Ohio Clean Air Program, to reduce carbon-dioxide pollution is similar to eighteen other states that joined the US Climate Alliance to mitigate the worst consequences of climate change. Competitive markets are the best way to deliver value for consumers in terms of achieving lower prices, spurring innovation and for attracting business investment.

NRG is a leading integrated power company built on diverse generation assets and dynamic retail business. A Fortune 500 company, NRG brings the power of energy to consumers by producing, selling and delivering electricity and related products and services – including carbon free energy choices – 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. NRG's retail companies offer customers a range of products including demand response and energy efficiency, 100% renewable energy, energy plans bundled with energy efficiency technology, such as Nest thermostats, as well as loyalty rewards and our charitable giving products through our "Choose to Give" plans. NRG is committed to addressing carbon dioxide pollution through science-based goals of reducing carbon emissions 50 percent by 2030 and 90 percent by 2050, some of the most aggressive goals in the industry.

Ohio has a long history of supporting open and competitive electricity markets, starting with its adoption in 1999 of energy competition (SB3, 123rd G.A.). The Ohio General Assembly adopted its competition policy to, among other things, ensure diversity of electricity supplies and suppliers, by giving customers choices over the selection of those supplies and suppliers. The General Assembly also rightly saw the value of competition to encourage innovation and market access for cost-effective supply and demand retail electric service. The General Assembly aimed to ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies. Sub HB 6 reverses course on this successful policy.

NRG must strenuously oppose Sub HB 6 as it contains at least two flaws that fatally undermine the competitive market and effectively end choice for Ohio consumers. First, the clean air credit payments provide customer funded subsidies to First Energy Solutions[1] to support unprofitable nuclear plants in Ohio that can no longer compete due to the success of the competitive market that has driven prices down for Ohio consumers – which is exactly what the 1999 act (SB3, 123rd G.A.) envisioned. Second, the new language added to Sec. 4928.647 appearing on lines 611 – 649 of the bill further erases all the gains made as a result of the Competition Act by enabling the regulated utilities to construct, lease, finance or operate renewable generation resources, and granting the utilities the ability to offer renewable energy, renewable energy credits and long term power purchase agreements to all customers.

More specifically, the proposals outlined in Sub HB6 harm the competitive market and Ohio customers because they:

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[1] First Energy Solution's parent, First Energy Corporation, collected $6.8 billion in transition costs from Ohio ratepayers with the adoption of energy competition in 1999. Should HB 6 be become law, Ohio ratepayers would be burdened with paying a third time for the same First Energy assets twenty years later.

- Are expensive – at a minimum, they will increase the cost of electricity supplied to Ohio customers who will be charged fees of an estimated $306 million to fund the Ohio Clean Air Program, not including the new investments by the regulated utilities permitted by the new Sec 4928.647.
- Transfer investment risk from generation owners and investors to consumers, who already paid more than $6.8 billion in stranded costs attributable to First Energy's Ohio nuclear plants when the market transitioned to competition, and who will be burdened with the new/additional investment risk from new resources developed by the regulated utilities.
- Open the door to new investments in new generating plants by regulated utilities. The utilities would then be free to market renewable supply offers directly to consumers – with full cost recovery and in direct competition with competitive retail suppliers already in the market making those choices available to Ohio consumers.
- Are at odds with existing wholesale electricity markets, which rely on supply and demand to set prices, send signals for new investment and encourage innovation, ensuring deployment of the most economically efficient resources.
- Inefficiently prop up yesterday's technology that is no longer viable in a competitive market and reduce any incentive for the owners of that technology to become cost competitive.
- Stifle innovation from competitors eager to bring new, lower cost solutions to the market.
- Encourage government dependence (i.e., when do the ratepayer guarantees end?)

To be clear, NRG supports allowing nuclear generation to compete fairly. As a part owner of a nuclear facility in Texas, we operate the plant on a competitive basis to provide carbon free, safe, reliable service to the Texas energy market. It is an important part of a fuel-diverse generation fleet serving the south Texas region. Today, Ohio consumers enjoy low and stable prices and high levels of reliability thanks to the Legislature's adoption of a competitive energy marketplace that provides a fair and level field for a diverse range of energy generators. According to the US Energy Information Administration Carbon dioxide emissions in Ohio's energy sector fell by 50 million metric tons between 2005 and 2015. Competition has already reduced carbon dioxide emissions, and a truly competitive market in Ohio is the best option for securing even more carbon dioxide emission reductions in the future. Sub HB 6 reverses course and moves Ohio away from competitive marketplace for clean energy options that have led to and will continue to produce investment in more efficient technology, lower prices, and greater energy reliability for Ohio businesses and consumers.

NRG strongly supports decarbonization through market-based solutions. Market based solutions ensure that companies who are willing to invest private capital in Ohio's future bear the investment risk while ensuring ratepayers have access to the most efficient generation resources that meet the state's energy needs and carbon dioxide emission reduction goals. Competitive forces have, and will continue to drive innovation, efficiency, and cost reductions while achieving Ohio's clean energy policy goals and for the benefit of ratepayers. Ratepayer subsidies, in contrast, do the exact opposite and put ratepayers at risk for bad investments. Ratepayers have already paid $6.8 billion to transition to a competitive market – NRG urges the legislature to look to the competitive market for solutions to achieve Ohio's carbon dioxide emission reduction goals.

NRG appreciates the opportunity to submit written testimony about this very important issue and looks forward to working with Chairman Vitale, Vice Chair Kick, Ranking Member Denson and the members of House Energy & Natural Resources Committee to develop market-based solutions for decarbonizing Ohio's energy future.