NRG Energy, Inc.
804 Carnegie Center
Princeton, NJ 08540

December 2, 2022

Hon. Wayne P. DeAngelo, Chair
Assembly Telecommunications & Utilities Committee
4621A Nottingham Way
Hamilton, NJ 08690

Re: Assembly Bill 577

Dear Chairman DeAngelo,

On behalf of NRG Energy, Inc. ("NRG"), I hereby submit these written comments ***in opposition to A-577*** which is scheduled for a hearing before the Assembly Telecommunications & Utilities Committee ("ATU") this Monday, December 5, 2022. This bill requires the New Jersey Board of Public Utilities ("Board") to establish a program allowing utility gas distribution companies ("GDCs") to invest in Renewable Natural Gas ("RNG") infrastructure, including the production, processing, transmission and distribution of RNG to consumers, as well as purchasing RNG from third parties including any affiliate of the GDC. The bill further directs the Board to authorize recovery of any such qualified investments through rates and establishes GDC portfolio RNG targets.

NRG is a Fortune 500 company, delivering customer-focused solutions for managing their energy, while enhancing energy choice and working towards a sustainable energy future. We put customers at the center of everything we do. We create value by generating and selling electricity and providing natural gas and other energy services to more than 6 million residential, commercial and industrial customers through our portfolio of retail brands – including here in New Jersey, where NRG owns multiple Third Party Suppliers ("TPS") licensed by the Board to serve retail customers.

NRG opposes A-577 for several, related reasons:

First, while NRG agrees with the bill's preamble that RNG can serve as a valuable alternative fuel in the quest to reduce harmful carbon emissions, New Jersey should not fragment RNG policy. The state has a unique opportunity to establish a statewide standard to foster competitive opportunities for capital investments in RNG production, and so work toward decarbonizing the gas system. The current bill would have that policy unfold separately and differently in each individual utility service territory, where such investments may lack scale and where the policy's implementation largely would be left in the hands of individual utility company's discretion.

Instead of addressing RNG policy in a piecemeal fashion, the legislature should consider adopting a statewide standard, similar to a renewable portfolio standard, to which each entity serving retail gas customers would be subject.[1] This comprehensive approach would achieve scale to foster the significant capital investments needed to bring RNG projects online, and the addition of a forward market for these procurements, subject to Board design and oversight, would encourage capital formation around this emergent industry in a competitive manner where costs are disciplined and risks are not unduly shifted to a utility's captive customer base. Over time, the standard would

[1] In markets that use RNG as a transportation fuel, tradeable credits known as renewable identification numbers ("RINs") exist in order to demonstrate compliance with those standards, and a similar design could be achieved for retail gas service in New Jersey.

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become more stringent, enabling progressively greater numbers of end-use consumers to offset more and more carbon emissions from their use of gas. In the alternative, the Board should be tasked with studying and making recommendations to the legislature on how to best incorporate RNG into the state's energy future before any further action is taken.

Second, and related to the first point above, the bill does not provide sufficient guardrails to prevent the intrusion of GDCs into New Jersey's existing competitive retail gas markets. While the bill does mention that any RNG purchased must be at "market conditions," the RNG market is relatively nascent and primarily supplied by small producers operating under few established price-setting mechanisms. NRG's concern is that the bill will create utility monopolies as gatekeepers of this new industry, ultimately stifling the competition that needs to be a driver of innovation and lower costs in RNG. Again, a more level playing field is created in the market-based design described above.

Third, the bill could expose some TPS customers to double payment of RNG infrastructure and supply costs should they choose a TPS to supply their RNG product, yet are allocated costs related to the production, processing, and supply of RNG by the GDC. This scenario penalizes customers who exercise their right to choose a TPS for their gas needs, including RNG, and should be disallowed through the Board unbundling the production, processing, and supply charges and making them bypassable for customers if they buy RNG directly from a TPS.

It should be noted that NRG does not oppose GDC investment in distribution and transmission pipeline related infrastructure than can support the growth of RNG as a fuel of choice for consumers looking to reduce their carbon emissions. Utility re-use and build out of pipeline infrastructure to support RNG, hydrogen, and other alternative fuels should be encouraged as part of a broader suite of solutions to tackle climate change.

For the foregoing reasons, NRG opposes A-577 and asks the ATU not to release the bill as is to the Assembly. Instead, we urge you to consider our proposals to establish a competitive RNG market.

Thank you for your attention to this matter. Should you wish to discuss our proposals further, please do not hesitate to contact me at Robert.Gibbs@nrg.com or 908-323-0490.

Respectfully submitted,

Robert L. Gibbs

Robert L. Gibbs
Director – Government Affairs

RLG/*
Cc: Members of the Assembly Telecommunications & Utilities Committee
Assemblyman Karabinchak
Majority Leader Greenwald
Assemblywoman Munoz